MARCH 18, 1955 20 CENTS

U.S. News World Report

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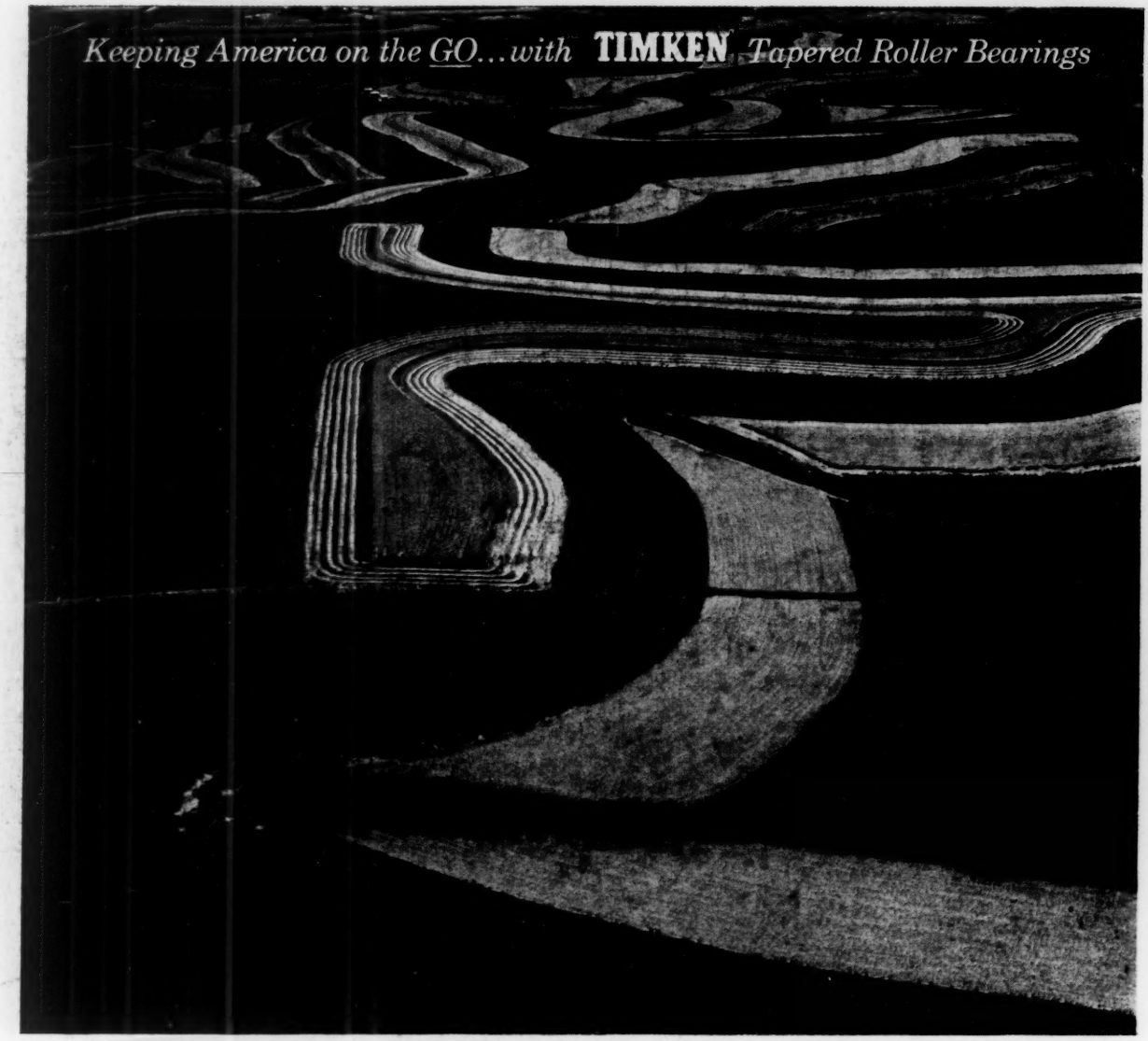
"THE ATOMIC REVOLUTION IS HERE"

EXCLUSIVE INTERVIEW
with
John Jay Hopkins
President of
General Dynamics Corporation

Keeping America on the GO...with **TIMKEN** *Tapered Roller Bearings*



Where 1,995,672 farmers disappeared without a trace

WHILE you weren't looking, almost two million American farmers have been quietly dropping out of sight. In 1940, there were 8,833,324 farmers. Today, at latest report, only 6,837,652. Where did they go? And who's been feeding our growing population in the meantime?

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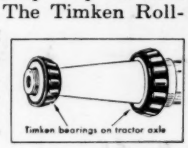
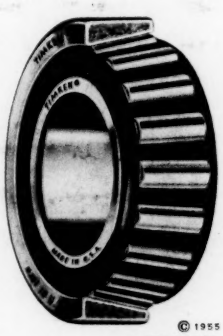


Timken bearings on tractor axle



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IN THIS ISSUE

★ Ford, Giant of Family Firms, Finally Will Let Public In

This is the exclusive, detailed account of plans to sell a major block of Ford Motor Company stock to the public—after 51 years in which Ford has been the biggest, best-known family-owned business in the world. The article reveals reason for sale, as well as terms, arrangements, probable price, prospective earnings. Starts on page 28.

★ Religion Is Still Alive in Russia

Are the men in the Kremlin starting to lose out to the forces of God and nature? This is an exclusive interview with Father Bissonnette, the U. S. priest just expelled from Moscow. Page 52.

★ Is Real Estate Being "Taxed to Death"?

For results of a nation-wide survey on what's happened to property taxes—and how homeowners are getting the worst of it in postwar tax rises—see this article on page 37.

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COVER: John Jay Hopkins, president of the General Dynamics Corporation. See page 88. (USN&WR Color Photo)

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WORLD REPORT

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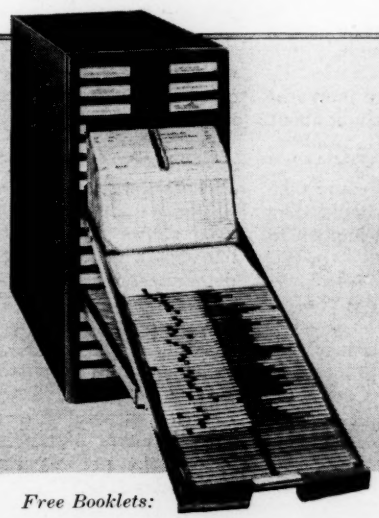

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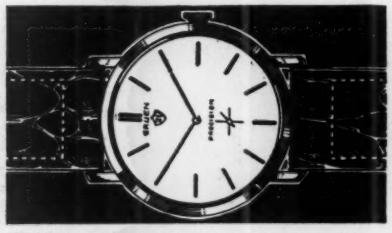

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The March of the News

TAKING STOCK

DOUBTS as to the soundness of present stock-market prices were expressed by two former New Dealers before a Senate committee conducting a "friendly" investigation of the securities market.

Dr. John Kenneth Galbraith—Harvard Professor of Economics, former Deputy Price Administrator, and onetime economic adviser to Democrat Adlai Stevenson—spoke some words of caution. "There is too much speculation" in the stock market today, he said. If stocks continue to rise over the next months, he added, margins on stock buying should be raised, perhaps gradually, from the present 60 per cent to 100 per cent.

Dr. Galbraith had scarcely finished testifying when leading stocks on the New York market began a two-day drop of as much as six points. As a recovery began, Marriner S. Eccles, former Chairman of the Federal Reserve Board, told Senators: "There are elements of real danger to the economy" in the stock-market and housing booms. "A booming stock market," he said, "and an excessive construction activity . . . cannot be maintained."

On the exchanges, stock prices continued to rise.

THREAT TO BRITAIN?

MOSCOW PROPAGANDISTS, who like to accuse the U. S. of "rattling the H-bomb," did a little bomb rattling themselves. The Soviet newspaper *Pravda* suggested that well-populated island nations have the most to fear from nuclear weapons.

Author Ilya Ehrenburg followed this up with a speech, in which he said: "For heavily populated Britain, two or three hydrogen bombs will be enough."

U. S. Defense Secretary Charles E. Wilson, at his press conference in Washington, was asked what he thought about Mr. Ehrenburg's remarks. "I wouldn't think it was quite an accurate statement," he said. "But the number it would take is not as important as why should they try to do it and what would happen to them if they did."

FARM-BLOC REVOLT

THE MAGIC WORDS, "90 per cent of parity" again proved enticing to members of the House Agriculture Committee which, last year, fought against the Administration's policy of flexible supports for farm prices.

In a bipartisan rebellion, Committee members voted, 26 to 11, to restore mandatory price supports at 90 per cent of parity on all so-called basic crops, and to raise the supports on dairy products from 75 to 80 per cent.

The new agriculture bill faces all-out opposition from the White House, rough sledding in the House, and even tougher opposition in the Senate.

FLIGHT RECORDS

NINETEEN MINUTES and 43 seconds were shaved from flight time between Los Angeles and New York as three Air Force jet pilots made record-breaking dashes across the continent. Best time was clocked by Lieut. Col. Robert R. Scott, of Des Moines, Ia., who made it in 3 hours, 46 minutes, 33 seconds.

Meanwhile, the Air Force announced its first unit of jet fighters that can be launched from and returned to "mother" planes in the air. Republic RF-84F Thunderflash fighters will team up with B-36 bombers to do the trick.

NOISY ROBOT

A TOLL-TAKING ROBOT is getting a try on New Jersey's Garden State Parkway. Motorists, arriving at the Raritan toll plaza, drop their 25 cents into a machine; then speed on their way.

When an absent-minded or dishonest motorist fails to pay the correct toll, the robot raises a ruckus: red lights flash, a loud alarm gong rings, and a camera takes a photograph of the auto's rear on ultrafast film, recording the license number for police.

PURGED: A SKYSCRAPER

MOSCOW'S TALLEST SKYSCRAPER came to an ignominious end, as the city's chief architect announced plans to tear it down, unfinished. Scheduled to tower 46 stories above the street, the building came into disfavor a year ago, with only 10 stories of steel frame completed.

Decision to dismantle the building came after a Kremlin speech by Communist boss Nikita S. Khrushchev, condemning "tall buildings."

SOVIET TOURISTS

ELEVEN STUDENT EDITORS from Russia will be permitted to visit the U. S., Attorney General Brownell decided. A special waiver of the McCarran-Walter Immigration Act was necessary to arrange the 30-day tour.

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[Items appearing on this page are reported in Washington and other news centers]

High Cost of Ike's "Dream House" . . . Warren Leaving Door Ajar? . . . Gruenther in Line for Radford's Post

President Eisenhower is discovering that his "dream house" at Gettysburg, estimated originally to involve a cost of $75,000, actually will cost nearly $150,000 before it is completed.

★ ★ ★

Mr. Eisenhower became genuinely angry as a result of efforts by the Democratic National Committee to picture Mamie Eisenhower as in bad health. Mrs. Eisenhower's only ailment was the "flu."

★ ★ ★

Paul Butler, Chairman of the Democratic National Committee, is trying to sell the idea that the Republican ticket in 1956—which the Democrats think they can beat—is going to be Richard Nixon for President and Sherman Adams, of New Hampshire, for Vice President.

★ ★ ★

Vice President Nixon is to have a hard time with the California delegation to the Republican National Convention next year. Governor Goodwin Knight, Senator William Knowland and remaining elements of the Earl Warren organization all are lining up in the anti-Nixon corner.

★ ★ ★

Earl Warren, Chief Justice of U. S., intimate friends say, definitely has not foreclosed possibility of a draft-Warren move in case Mr. Eisenhower should bow out in '56. These friends point out that the vehement reaction of the Chief Justice to suggestions that his political future is not ended is due to a feeling that he must keep completely free of current politics. A spontaneous draft would be something else.

★ ★ ★

President Eisenhower in January gave a firm promise to NATO and to Sir Winston Churchill that, barring extraordinary circumstances, he would leave Generals Alfred Gruenther and Lauris Norstad in their command positions in Europe to handle integration of German military forces into NATO. Sir Winston, in turn, promised that Field Marshal Viscount Montgomery and General Lord Ismay would also remain at their posts with the NATO organization.

★ ★ ★

Adm. Arthur Radford is to be asked by Mr. Eisenhower to serve another year as Chairman of the U. S. Joint Chiefs of Staff. His two-year term expires in August, 1955.

★ ★ ★

General Gruenther, Supreme Commander in NATO, is being scheduled to succeed Admiral Radford as Chairman of the U. S. Joint Chiefs of Staff, after Admiral Radford has served an added year and after General Gruenther has carried out Mr. Eisenhower's promise that the General would stay in Europe until mid-1956.

★ ★ ★

Air Force General Norstad leads those being considered for successor to General Gruenther as Supreme Commander of NATO. European commanders are understood to prefer General Norstad to Gen. J. Lawton Collins or Gen. Maxwell Taylor, who has been chosen U. S. and U. N. Commander for the Far East.

★ ★ ★

General Taylor is a likely choice to succeed Gen. Matthew Ridgway as Army Staff Chief when General Ridgway retires from that job. General Ridgway's term as Staff Chief may be extended for one year, along with terms of the Chief of Staff of the Air Force and the Chief of Naval Operations. General Taylor is a former airborne-division commander and is a linguist of note.

The White House, on Eisenhower orders, ran down "leaks" of news from the National Security Council, reportedly tracing those leaks to the Defense Department. The President is determined to button up all possible unauthorized sources of information in Government agencies about policy decisions and inner squabbles among officials.

★ ★ ★

Harold Stassen, administrator of foreign aid, is beginning to be called on by the President for advice on domestic political problems. Mr. Stassen is reported to be gaining in favor with Mr. Eisenhower.

★ ★ ★

Mr. Eisenhower recently asked a close friend about accepting advice from a particular source. The response he got was this: "The best possible advice I can give is to beware of friends who are eager to give you advice."

★ ★ ★

Top-ranking Republican leaders in the Senate are convinced that there is a secret deal between British and American diplomats to keep the official records of the Yalta Conference secret. That Conference gave the Soviet Union concessions that enabled her to gobble up a large slice of the world. All the efforts of Senators in a Republican Administration to pry loose these papers run into State Department snags.

★ ★ ★

Sir Winston Churchill, British Prime Minister, purportedly is the latest to intervene to keep Americans from seeing the Yalta papers. Actually, those papers are being censored so severely—to avoid embarrassment to officials, living and dead—that they may not be too exciting when they are published, if they ever are.

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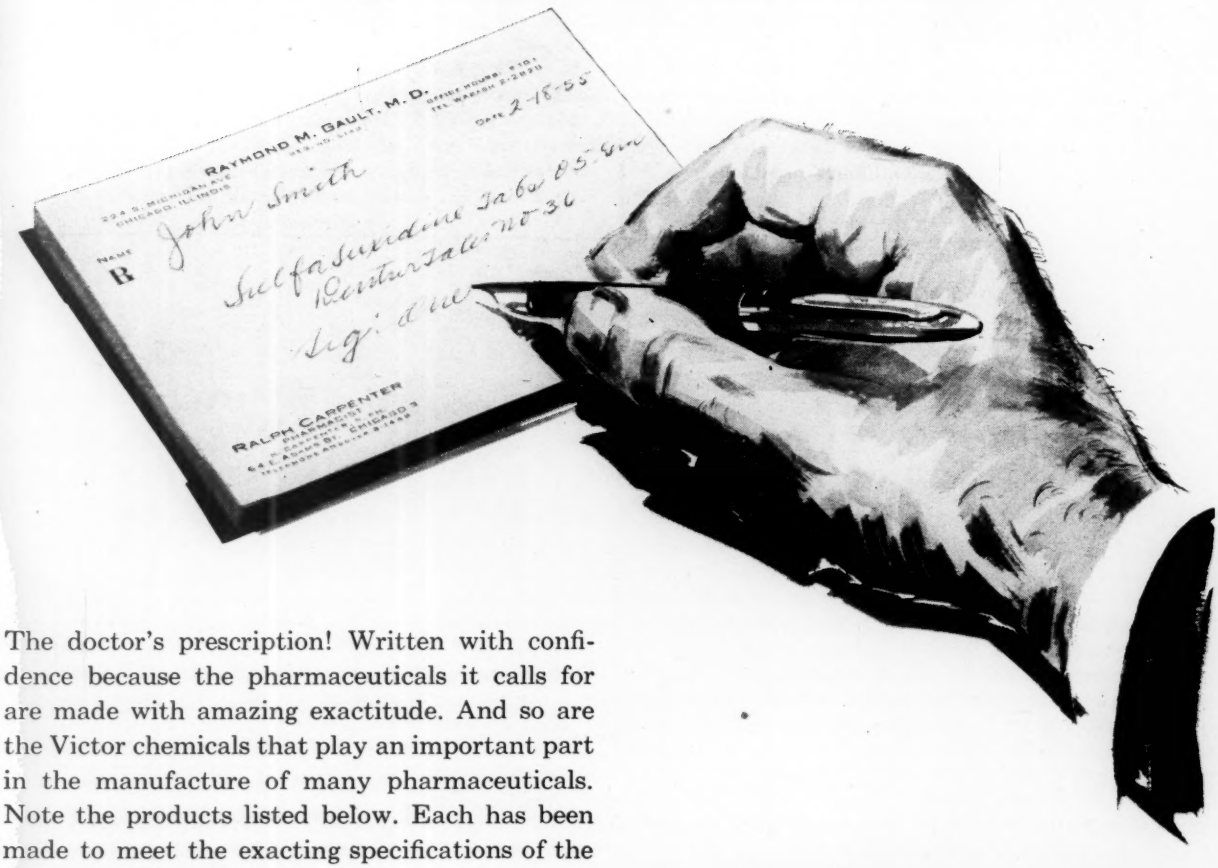

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To help you get your bearings in the midst of the recent squalls:

Stock-market upset was not the signal of business trouble ahead.

Business activity, rising now, will go on rising to midyear; will slow little during summer months; will improve again in autumn and winter.

Tax laws are not to be changed now in a way to hurt business.

War threats are part of diplomatic maneuvering, not the forerunner of actual war of any major kind that would bring back controls.

The outlook, in other words, remains good.

Trends in most lines of industry are upward at this time. Output is rising. Profits are showing gains. Dividend trends are upward, moderately.

Investment by industry in new plant and equipment, lagging to now, is starting to rise. A slow rise through the year seems probable.

Upturn in industrial investment is to be a strong factor in business.

Tax threat to business will not be carried out. Punitive taxes, put forward by some Senators, ex-New Dealers, are for political effect alone.

Taxes will stay about as now on 1955 business and individual income.

Tax relief on dividend income will not be repealed. Depreciation at a faster rate than in the past will not be ended. A $20-per-person tax cut for lowest income groups is very unlikely to be voted at this time.

Tax maneuvers by Democrats are related to the politics of 1956.

There's this practical fact to bear in mind: 40 of 47 Republicans in the Senate are not inclined to favor tax policies designed to make it harder to operate a private-enterprise system. At least 7 out of 49 Democrats are inclined to avoid taxes that are punitive against business.

That's 53 votes, out of a possible 96, opposed to antibusiness taxes.

What seems to have jolted businessmen is a sudden awakening to the fact that voters last November returned former New Dealers to many positions of power in Congress. A Senate majority, however, is not on the New Deal side now.

You can expect moves of the following kinds related to stocks:

Buyers of stocks, before long, will be required to put up 75 per cent of the purchase price of new shares in cash. It's now 60 per cent.

Bankers, probably, will be urged to use caution in making loans to people who want to borrow to buy stocks. Caution is the watchword.

Tax on capital gains, now 25 per cent maximum, will not be changed. Holding period to establish a long-term gain taxable at a 25 per cent maximum is

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to stay at six months. Capital-gains tax, however, is going to come in for increasing study and a lot more attention in the future.

Top investment-specialist advice, given to Senators is this:

Stocks, on the average, now are rather high priced relative to values and to dividends. Stock prices are not dangerously high unless a depression lies just around the corner. There is no present sign of depression.

Bargains, though, no longer are easy to find.

Speculation, to a growing degree, is involved in purchase of stocks at the present levels of prices. Speculative profits become more difficult to realize and actually to hold when purchasing at this stage of a bull market.

The wise investor will be aware that markets do not always go up.

Sharp market break in recent days is considered technical, an adjustment in a bull market, not the start of a new bear market with trends down.

Stock prices, while high, are not up to peaks in other bull markets. As a measure: At the recent price high and 1954 dividend rates, yield on the Dow-Jones industrial list of stocks was 37 per cent above the yield on high-grade corporation bonds. In 1929, it was 30 per cent below the yield on bonds. In 1937, it was 36 per cent above bonds. In 1946, it was 28 per cent above.

Dividend rise of 8 per cent in 1955, probable, would put the yield on stocks--at present stock prices--53 per cent above yield on bonds.

What it seems to add up to is this: Stock break of recent days, plus the outlook for profit increases, dividend increases, put the stock market as a whole in a healthier condition. Investors, even so, need to be watchful.

Politics, more than business itself, may begin to influence sentiment.

Politically, there's been a warning shot for business in New Deal type of moves on taxes, on attitudes toward Government regulation of investment.

Ex-New Dealers, in key Congress positions, are letting businessmen know what will be in store for them after 1956 if a New Deal is voted back.

Eisenhower, in the light of events, will be under most intense pressure to run again. Ike, if polls are right, is the one Republican who can win.

Conservative Democrats will make a strong bid for nomination of someone conservative to head the Democratic ticket. New Deal hold, however, is being shown to be strong within the party, inside Congress and outside.

Policies considered to be friendly by business are held by a margin that is quite thin. A slight political shift and business would be faced with policies that it would regard as poison to free enterprise.

It's politics that will get more attention from now on.

Only war danger is that Communists may figure that Eisenhower always will back up under pressure; that he never will draw a line and mean it.

Korea-truce deal fed that idea. Truce violation with no reaction added to it. Indo-China surrender then fed the Communist ego. Tachens pull-out then bolstered it. Nanchi pull-out did, too. U.N. move, asking for mercy on U.S. soldiers held in prison in violation of truce, cheered Communists.

Communists might push their luck too far around Formosa. If they do, they may get smacked. It would be a short air and sea operation, not real war.

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Building Boeing airplanes is a nation-wide project

America's global jet bombers – B-52s like the one shown above—are rolling off Boeing's production lines in steady numbers. Although this B-52 production is centered in Seattle, it incorporates the efforts of businesses and workers located from coast to coast, and from Canada to Mexico.

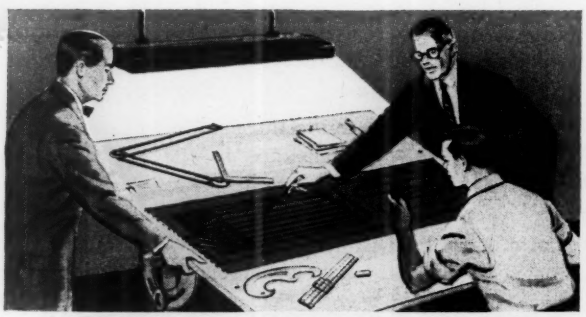
At latest count, more than 5,000 firms were supplying material, equipment or service for aircraft built by Boeing's Seattle Division. Of these, some 4,000 are small businesses having 500 employees or less.

Similar emphasis on subcontracting is the rule at Boeing's Wichita Division. Here Boeing builds the Strategic Air Command's front-line nuclear weapons carrier, the six-jet B-47, and is tooling up for B-52 second-source production. No fewer than 3,588 individual companies, more than 75% of them small businesses, share the work of this Division.

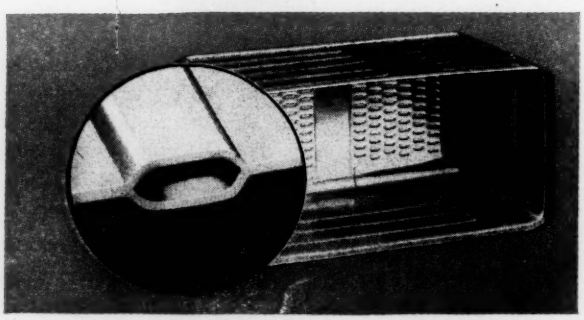
Out of every Air Force dollar contracted to Boeing, approximately 65 cents is passed on by Boeing to its subcontractors and suppliers. The remainder—about 35 cents out of each dollar—is retained by Boeing to cover all items in connection with its own in-plant operations. Boeing airplanes are truly nation-wide projects.

Maintaining a coast-to-coast subcontracting and supply network is a vital force in the nation's defense program. It assures a broad base for the production of aircraft needed for the foreseeable future. And, in time of emergency, it would provide trained, equipped and experienced supply sources capable of rapid expansion.

BOEING



NEW FLEXIBILITY OF DESIGN! Almost any tubing pattern that can be designed on a drawing board can be quickly and economically transformed from the drawing board to Reynolds *Tubed Sheet* with practically unlimited circuiting possibilities. Redesigns are simplified—can be made in much shorter time and at much lower cost.



GREATER ECONOMY — BETTER PERFORMANCE! In refrigeration, for example, metal ordinarily used for evaporator tubing, accumulators and receivers is eliminated. Tube bending and other assembly operations are done away with. No brazing or flux contamination or frost pinching. Passageways can be flat or oval, placed closer together to add to strength.

New Concept in Heat Transfer!

REYNOLDS ALUMINUM

TUBED SHEET

Now Being Produced by Reynolds Patented Roll Bonded Process

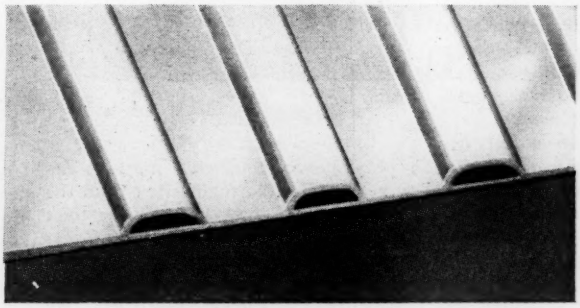
From Refrigeration to Air Conditioning—from Automotive to Aircraft, Reynolds *Tubed Sheet* promises great benefits to many industries. And here's why:

1. GREATER FREEDOM IN TUBING PATTERN DESIGNS!
2. GREATER EFFICIENCY—NO LOSS IN CONDUCTIVITY—TUBING IS INTEGRAL TO SHEET!
3. GREATER ECONOMY THROUGH SAVINGS IN MANUFACTURING OPERATIONS AND IN METAL!
4. FROST PINCHING ELIMINATED. TUBING AND SHEET ARE SAME PIECE OF METAL!
5. ONE SIDE TUBING PATTERN AVAILABLE —*A REYNOLDS FEATURE!*
6. EMBOSSED PATTERN AND A VARIETY OF COLOR ANODIZED TUBED SHEET— *ANOTHER REYNOLDS FEATURE!*

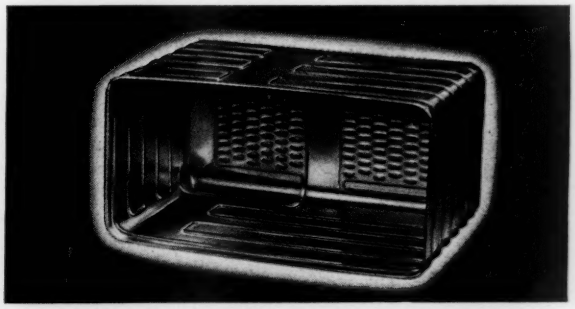
Put these and other benefits of Reynolds *Tubed Sheet* to work for *you!* For full details contact the Reynolds office listed under "Aluminum" in your classified telephone directory or write *Reynolds Aluminum Fabricating Service, 2084 South Ninth St., Louisville 1, Ky.*

REYNOLDS ALUMINUM FABRICATING SERVICE

© Reynolds Metals Company



NO SEPARATE TUBES! The tubes in Reynolds *Tubed Sheet* are *in the sheet.* Tube design is printed on sheet with bond-preventing compound. Two sheets are metallurgically bonded into one under pressure. Hydraulic energy expands tubing along non-bonded printed design. Tubing can be expanded one side only as shown above.



MORE ATTRACTIVE PRODUCT! Where appearance is important, Reynolds *Tubed Sheet* can be embossed and anodized in a variety of colors. Thus parts made of Reynolds Aluminum *Tubed Sheet* offer advantages to sales managers in addition to the benefits provided engineers and treasurers.

PEOPLE ★ ★ ★

OF THE WEEK

› PAUL BUTLER, recently installed as Democratic National Chairman, stirred up a political tempest by suggesting that Mrs. Eisenhower's health might swerve the President from running again.

Mr. Butler first said he doubted the President would run because of "a personal situation in the Eisenhower household." Later he added that the First Lady's health was "not too good." At the time, she was ill with influenza.

Squads of Republicans assailed Mr. Butler in both chambers of Congress. Words such as "scoundrel," "unsavory" and "political propaganda" burst loose in a concerted Republican counterattack.

Although this is Mr. Butler's first turn on the national stage, he is regarded as an experienced political manager. Some observers thought his remarks were a countermaneuver against the Republican National Chairman, Leonard Hall. Mr. Hall recently quelled doubts that the President would run again, seemed to have his organization geared for renomination. Now Republicans think Mr. Butler seeks to revive those doubts.

How well the tactic will work remains to be seen. In the past, Democrats have found that personal remarks about the Eisenhowers have backfired.

› JOHN FOSTER DULLES is finding himself in the role of traveling salesman of U. S. diplomacy. After flying more than 26,000 miles on a trip to Southeast Asia, the Secretary of State is discovering that the speed and effectiveness of his salesmanship can mean the difference between war and peace in the Far East.

—Wide World

PRINCESS MARGARET, with RAF Capt. Peter Townsend

Mr. Dulles is trying to sell U. S. strength to three prospective "buyers."

First, there are the Southeast Asian allies of the U. S. What Mr. Dulles is selling there is a revival of Asian faith in U. S. power—faith previously shaken by what happened in Korea and Indo-China.

Second, Mr. Dulles is trying to get over to Communist China the idea that the U. S. means business in the Far East, is not a "paper tiger," as the Chinese term a weak bluffer. If Communists buy this idea, they may not force a war.

Third, Mr. Dulles is pressing upon the U. S. public the idea that the U. S. has drawn a line against Chinese Communist expansion, may have to fight if attacked. The U. S. as well as the Communists has to guess the line's location—it's secret.

But, in a tight spot, Mr. Dulles is counting more on public salesmanship than on negotiations between diplomats.

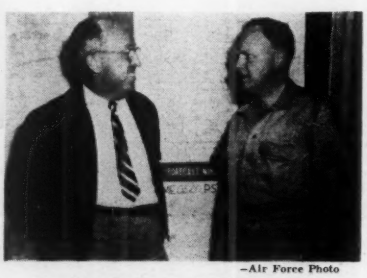
› PRINCESS MARGARET of Britain apparently has made up her mind to marry despite an obstacle that once would have been insurmountable for an individual who is high in the line of succession to the crown. The obstacle: The man she wants to marry, RAF Group Captain Peter Townsend, divorced his wife—and the state church, the Church of England, formally bans remarriage of a divorced person.

British officials' handling of the problem is providing a classic example of unofficial diplomacy. Reports of the impending attachment are being allowed

(Continued on page 16)

BEHIND EACH ATOMIC TEST: ONE MAN GIVES FINAL WORD

› A CIVIL ENGINEER who has spent most of his career on flood control and navigation jobs is the man who now manages all testing of U. S. atomic devices. **James E. Reeves,** director of the Joint Test Organization, labors behind scenes for a year to prepare for an explosion, then decides when to touch it off. He goes to work after scientists send word they have something new to try out.



—Air Force Photo

Mr. Reeves, Dr. Graves

Paper work is mountainous. Civilian companies engaged in atomic construction and a dozen or so Government agencies participate, must be consulted constantly. Meanwhile, Mr. Reeves also directs construction of detonation towers and thick bunkers for photographic close-ups of explosions.

About 24 hours before a test, Mr. Reeves summons weathermen, radiation experts, air-control officers and scientists, including his scientific adviser, Dr. Alvin C. Graves. Fall-out patterns over a distance of 150 miles are analyzed. A similar session follows 11 hours later. Finally, an hour before zero time, he sees a weather expert once more, then, by himself, decides whether an explosion will be safe.

—Wide World

Radioactive Cloud Adrift

Mr. Reeves received a master's degree in hydraulic engineering from the University of Iowa in 1930. He took a civilian job with the Army Engineers, helped design new Panama Canal locks and did flood-control work in the Pacific Northwest. He was chosen deputy director of atomic testing in 1952, became director after helping on Nevada and Pacific tests.

when the Tactical Air Arm pulls the switch

Today we're at peace... and the strong right arm of this man can help to keep us there.

He's 'Tac Air'! And in addition to his time-honored role of providing air superiority and air support for ground operations, this man now has new and greater responsibilities.

Increased mobility and today's lightweight thermonuclear weapons mean that the Tactical Air Arm can now carry a war to the enemy anywhere in the world —around the clock and in any weather.

Today, a major part of Martin's development effort is geared to the top-level thinking on problems of the new Tactical Air Arm's arsenal.

MARTIN

BALTIMORE · MARYLAND

CONTINUED

to circulate freely; Buckingham Palace officials lend credence merely by failing to deny them. The "leak" of news is a trial balloon to test feelings in Britain and the Commonwealth, see whether strong objections exist.

The fact that there was no immediate public outcry reflects a great social change in Britain since Anglican Church officials helped lever Edward VIII off the throne nearly 20 years ago. Divorce, once uncommon, now is frequent. Sir Anthony Eden, Britain's Foreign Secretary, even was knighted by Queen Elizabeth after he had divorced his wife and remarried. Margaret, third in line for the throne after the Queen's two children, Charles and Anne, is finding her path smoothed by a big change in popular and official attitudes.

› **SPECIAL ASSISTANT** for National Security Affairs has become, under President Eisenhower, one of the most important jobs in the nation. On April 1, this job will go to **Dillon Anderson,** who succeeds the resigning Robert Cutler.

In his new job, Mr. Anderson will wield more power than most Cabinet members. He will direct operations of the National Security Council, which can override any department of Government in matters that may determine this nation's survival in war. Highest policies of the U. S. are discussed and decided in the Council, and the head of the Council can see the President at any hour. The man who holds this post is credited with carrying in his head more top secrets than any other man except the President.

The new holder of this vital job is not yet widely known in the country, but in behind-scenes work he has acquired a background of military experience and a reputation as a logical, incisive thinker. Mr. Anderson, 48, is a successful lawyer in Houston, Tex. In World War II he rose from major to brigadier general, wound up on the General Staff. He was one of seven civilians selected by the President early in 1953 to serve as consultant to the National Security Council, a job that has kept him in close touch with his new responsibilities.

As a hobby, Mr. Anderson is a successful writer of fiction—stories about two happy Texas wanderers, "I and Claudie." Politically, Mr. Anderson is a "Democrat for Eisenhower."

› **ALFRED M. PRIDE,** Vice Admiral in command of the U. S. Seventh Fleet, is the man in position to trigger American gunfire if Red China's growing threats turn into war around Formosa. Admiral Pride's job is to defend Formosa. His 400-ship Fleet is the biggest American force in that area, and the nearest. It would bear the brunt of Red China's initial attack.

The Seventh Fleet is a powerful force. It has 6 aircraft carriers which mother some 500 planes, mostly swift jets. It has 3 cruisers, 36 destroyers and 5 submarines. It is equipped to strike with atomic weapons.

To take Formosa, the Chinese Reds would first have to get past this formidable Fleet or deal it a mortal blow—and to do this they might be willing to gamble on suicidal bombing attacks against the Seventh Fleet's carriers.

As war clouds darken, Admiral Pride must be on a war alert, ready around the clock. He keeps the Fleet on the move, has standing orders to shoot back promptly if attacked.

Red-haired Admiral Pride has been in hot spots before. As commander of the small aircraft carrier *Belleau Wood,* in World War II, he fought his way through a Japanese fleet to attack Guam, also took part in the battles of Tarawa, Wake, Kwajalein, Truk and Saipan, and helped in the invasion of Okinawa.

› **PRIME MINISTER** of Australia, with his third visit to the U. S. in five years, points up an increasingly close relationship between these two English-speaking nations. The Prime Minister, **Robert Gordon Menzies,** has done much to promote this closeness.

Mr. Menzies, head of Australia's Government since 1949, led his country into the Korean war alongside the U. S. He joined the U. S. and New Zealand in the Pacific Defense Pact, despite British objections, and he linked Australia with the U. S. again in the Southeast Asia Treaty Organization.

Before World War II, Australia followed a British lead. During the war, Australia's defense depended upon U. S., not Britain, as a major source of strength. Now Mr. Menzies's Government is coordinating Australia's defense policies about as closely with the U. S. as with its mother country, Britain, depends on the U. S. for backing.

What is developing is a U. S. defense alliance with Australia that parallels in the Far Pacific the U. S. tie with Britain in Europe.

The broad principles of U. S.-Australian alliance now have become set. Concrete plans to make the arrangement more effective are among the main topics that Mr. Menzies came to discuss with President Eisenhower and Secretary of State Dulles.

IKE RELIVES A BIG DAY

REMAGEN BRIDGE, 1945

› **OLD SOLDIERS** of World War II who seized the only undestroyed bridge over the Rhine at Remagen 10 years ago were called to the White House by President Eisenhower for an anniversary reunion—and a chat.

For these men of the Ninth Armored Division, who won the Distinguished Service Cross for their feat, the President created the Society of the Remagen Bridgehead, gave them certificates from their Commander in Chief to keep "as of some sentimental value."

REMAGEN REUNION, 1955

Military sentiment promotes noticeable relaxation in Mr. Eisenhower. Most visitors must leave his office promptly, but, when old soldiers call, the clock is disregarded and he sheds presidential burdens in reminiscent yarn-swapping.

–Signal Corps, Harris & Ewing, Wide World

THE "BRIDGE" TODAY

the Queen is at the Market buying Bread and Honey...

the King is at the office working for the money!

...and since this Queen is a typical COMPANION reader—she is buying *more* bread and honey than the average shopper. For the COMPANION reader has a *larger than average family.* Her mind is on her home—and her home is her castle!

Buying bread and honey is just one part of the job of running the castle.

It's a big job. *Her* job. And COMPANION editors know it. That's why they give her what she wants in service and entertainment. The COMPANION is her friend and her guide—she believes and trusts what she reads in it.

So be sure your advertising is in the right place, at the right time—in the COMPANION every month!

the Companion caters to the Queen in her Castle!

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WATCH

A statement by S. D. Den Uyl, President of Bohn Aluminum

S. D. DEN UYL

Bohn Aluminum & Brass Corporation purchased Reo Motors, Inc. on December 31, 1954. Now, backed by greater resources, Reo is embarking on an important new program of expansion in the manufacture of trucks and in service to users of trucking equipment.

In John C. Tooker, Reo's new President, Reo has a man of 30 years' experience in the trucking industry. His top management team in Engineering, in Manufacturing and in Sales, also are men of experience—and men of action. We are going to get a major share of the medium and heavy duty truck market.

S. D. Den Uyl

PRESIDENT
Bohn Aluminum and Brass Corporation

This management team is sparking the greatest expansion program in Reo history!

J. J. Dervin, vice-president and ass't to president

W. M. Walworth, vice president engineering

J. L. Adams, vice president sales

E. W. Reese, general sales manager

REO ROLL

and Brass Corporation and John C. Tooker, President of Reo Motors, Inc.

JOHN C. TOOKER

Now, with the backing of Bohn, we have all the elements needed to implement our new program of expansion. It is already well under way.

From 16,000 pounds up to the heaviest duty trucks on the road today, Reo offers an array of the World's Toughest Trucks with gasoline, L P-Gas and Diesel power plants. Reo is the only exclusive truck manufacturer building truly modern 6 and 8 cylinder truck engines—the rugged Reo Gold Comets. Included is the 220 horsepower Gold Comet V-8, most powerful V-8 truck engine ever built.

Never before has Reo had so much to offer the user of motor transport. We invite you to Watch Reo Roll!

John C. Tooker

PRESIDENT
Reo Motors, Incorporated

A. W. Zimmer, vice president manufacturing

R. J. Darragh, vice president treasurer

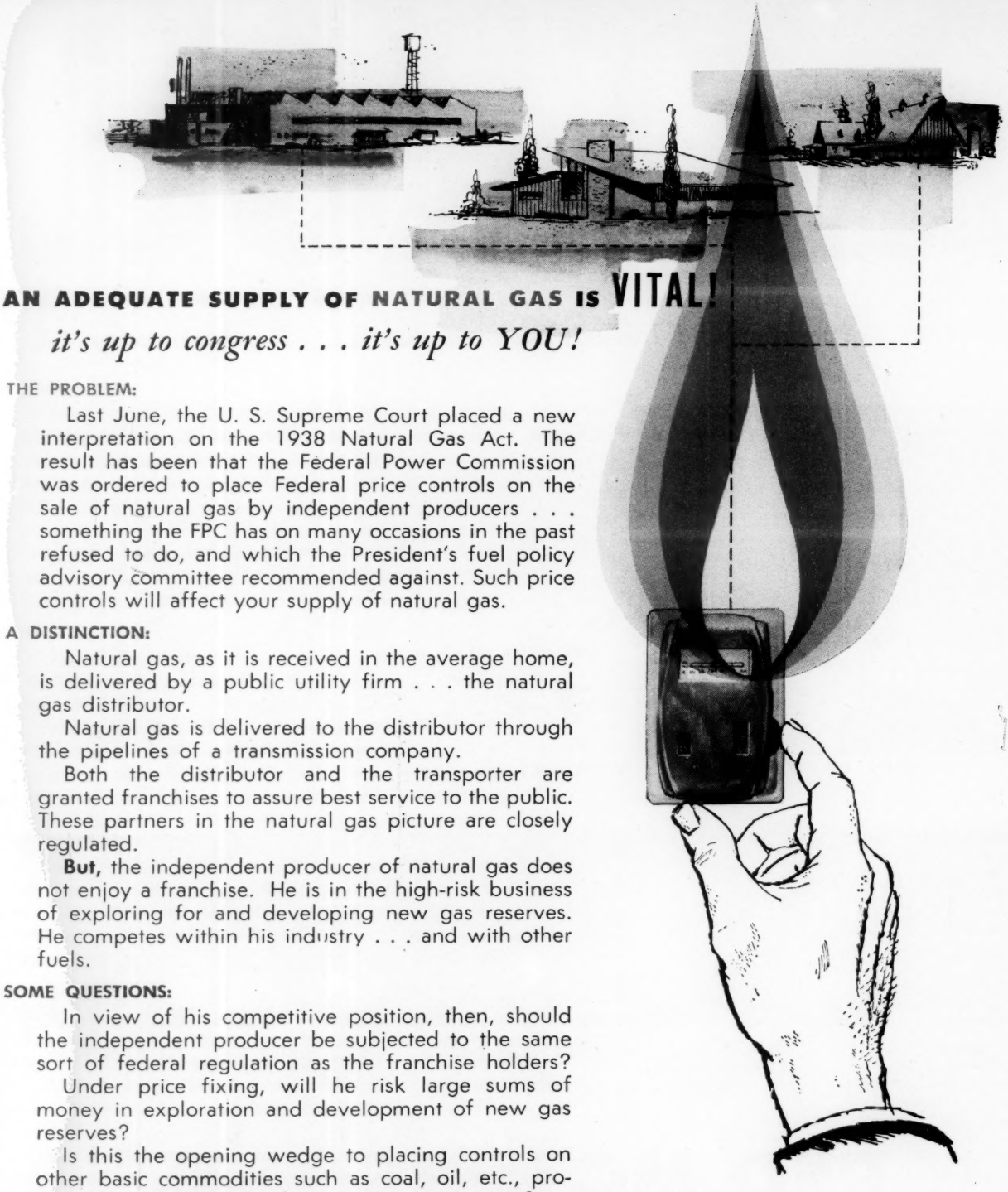
G. W. Byrne, director of personnel

R. A. Smith, vice president legal counsel

R. F. McKim secretary

REO MOTORS, INC.

SUBSIDIARY OF **BOHN** ALUMINUM AND BRASS CORPORATION



AN ADEQUATE SUPPLY OF NATURAL GAS IS VITAL!

it's up to congress . . . it's up to YOU!

THE PROBLEM:

Last June, the U. S. Supreme Court placed a new interpretation on the 1938 Natural Gas Act. The result has been that the Federal Power Commission was ordered to place Federal price controls on the sale of natural gas by independent producers . . . something the FPC has on many occasions in the past refused to do, and which the President's fuel policy advisory committee recommended against. Such price controls will affect your supply of natural gas.

A DISTINCTION:

Natural gas, as it is received in the average home, is delivered by a public utility firm . . . the natural gas distributor.

Natural gas is delivered to the distributor through the pipelines of a transmission company.

Both the distributor and the transporter are granted franchises to assure best service to the public. These partners in the natural gas picture are closely regulated.

But, the independent producer of natural gas does not enjoy a franchise. He is in the high-risk business of exploring for and developing new gas reserves. He competes within his industry . . . and with other fuels.

SOME QUESTIONS:

In view of his competitive position, then, should the independent producer be subjected to the same sort of federal regulation as the franchise holders?

Under price fixing, will he risk large sums of money in exploration and development of new gas reserves?

Is this the opening wedge to placing controls on other basic commodities such as coal, oil, etc., produced in a competitive free-enterprise economy?

THE ANSWERS LIE WITH YOU:

Review the facts. Think them over. Then tell your Congressman whether you want him to turn your gas flame up . . . or down.

H. C. PRICE CO.

PIPELINE H. C. PRICE CO CONSTRUCTORS

America's foremost pipeline constructors

Bartlesville, Oklahoma

RUSSIA CHECKMATED

U. S. Bases Now Set—Knockout If Reds Move

Russia, finally, is checkmated in her plan to attack and overrun the West. The reasons:

U. S., in five years since Korean war began, has fashioned a usable "big stick."

Russians today are ringed by new U. S. retaliation bases, equipped, ready to use.

To strike back, the U. S. now has 1,000 big jet bombers, 10,000 atomic weapons.

No Russian attack on the Western world could get all these bases, bombs and bombers.

If bases remain after attack, Russia faces certain destruction from built-up U. S. forces.

Result: U. S. suddenly finds it can deal from real strength, act without risking major war.

These are the hard facts that today underlie all U. S. plans for defense:

- A ring of air bases surrounding the Soviet Union is all but complete, is equipped for action, capable of swift retaliation with A-bombs or H-bombs.
- The Soviet Union can be hit by bombers flying from at least 100 well-established retaliation points, including bases in the U S.
- A successful sneak attack on the United States—with assurance against destruction for the attacker—no longer is possible. It is impossible, as a practical matter, to achieve simultaneous destruction of all U. S. retaliation bases.
- An attacker, failing to destroy all U. S. bases, will itself be destroyed.

Russia, in other words, is checkmated. U. S., now rearmed, can be hurt badly by attack, but its war potential cannot be destroyed at one blow. Russia, surrounded, can be knocked out, if foolhardy enough to attack.

Chance of major war, as a result, is reduced nearly to the vanishing point.

U. S. will not attack. Russia does not dare to attack. An H-bomb war, in consequence, enters the category of remote prospect.

This situation accounts for the growing confidence of President Eisenhower. It underlies present U. S. defense planning. It is understood and accepted by Sir Winston Churchill, who is revising British strategic concepts to conform.

Britain's recent White Paper on defense is related to this new strategic situation as it concerns military planning.

Top Soviet officials recognize the same facts, show their concern out loud.

Says Soviet Premier Nikolai Bulganin: "The United States continues to expand the network of its military bases around peaceful countries and to conduct an intense armaments race. In this, a special stress is laid on the development of the Air Force and of atomic weapons. . . . One must call to order these madmen who are rattling the atomic bomb."

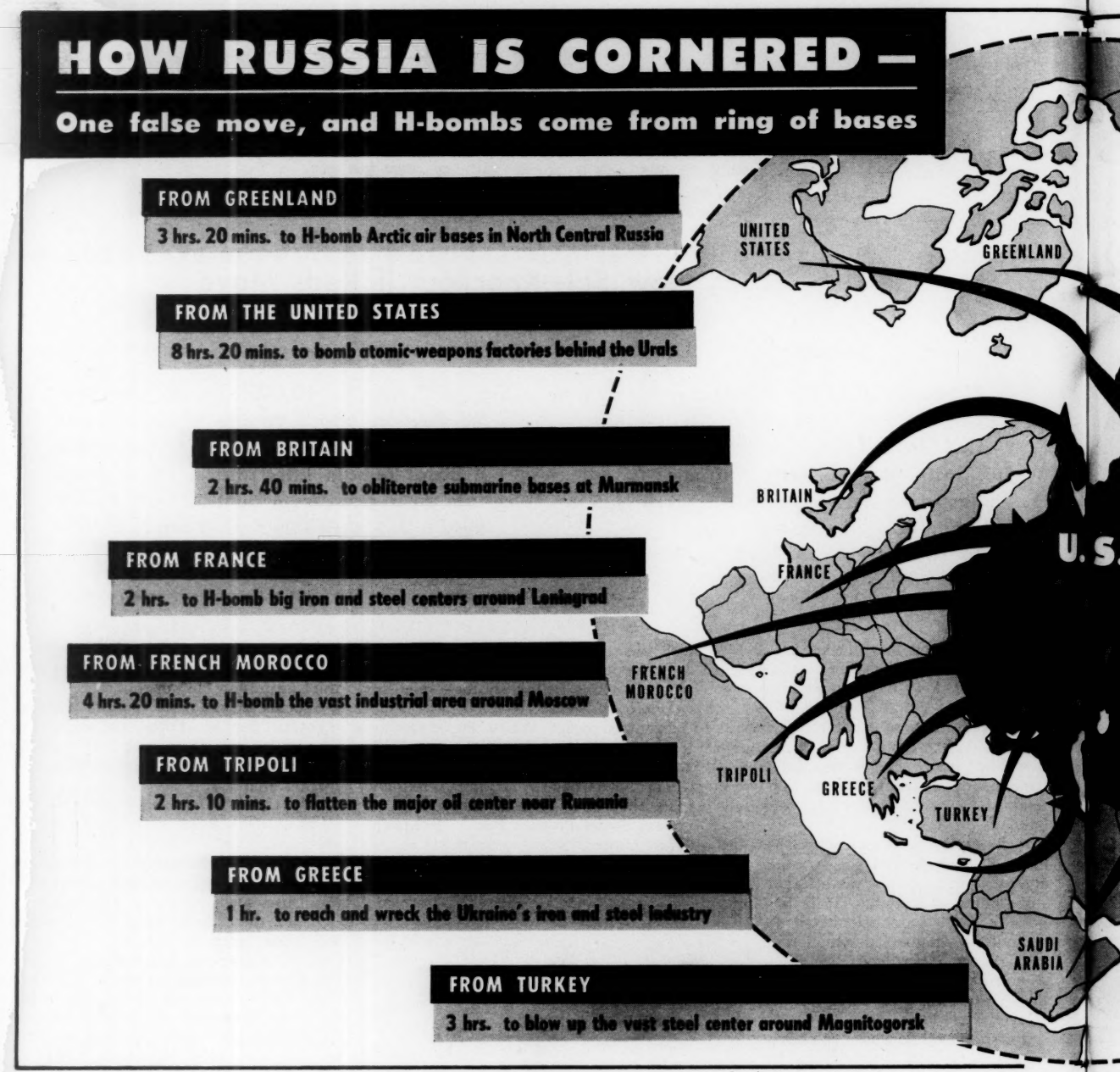
Says Soviet Defense Minister Georgi Zhukov: "We must prohibit the use of these weapons. We must do so in the interests of humanity. . . . Somebody, some crazy person or people, might use such weapons. The existence of these weapons is very dangerous for both parties."

—Boeing Airplane Co.

B-47 JET BOMBER
1,000 have runways around the world

Korea—a beginning. Today's overwhelming power in American hands grew out of the war in Korea, triggered by the Soviet Union. America, nearly disarmed in 1950, driven back by Communist Chinese forces late that year, began to rearm with modern weapons and modern concepts of strategy. The map on pages 22 and 23 shows the final results.

In the middle is the Soviet Union, its central position making it a choice target for the latest air-delivered weapons that can be hurled in from all sides. In terms of ground warfare, this central position in the "heartland" of the Eurasian land mass is pictured by geopolitical experts as the great source of Russian strength. But new


HOW RUSSIA IS CORNERED—
One false move, and H-bombs come from ring of bases
FROM GREENLAND
3 hrs. 20 mins. to H-bomb Arctic air bases in North Central Russia
FROM THE UNITED STATES
8 hrs. 20 mins. to bomb atomic-weapons factories behind the Urals
FROM BRITAIN
2 hrs. 40 mins. to obliterate submarine bases at Murmansk
FROM FRANCE
2 hrs. to H-bomb big iron and steel centers around Leningrad
FROM FRENCH MOROCCO
4 hrs. 20 mins. to H-bomb the vast industrial area around Moscow
FROM TRIPOLI
2 hrs. 10 mins. to flatten the major oil center near Rumania
FROM GREECE
1 hr. to reach and wreck the Ukraine's iron and steel industry
FROM TURKEY
3 hrs. to blow up the vast steel center around Magnitogorsk
UNITED STATES
GREENLAND
BRITAIN
FRANCE
FRENCH MOROCCO
TRIPOLI
GREECE
TURKEY
SAUDI ARABIA

H-bombs of massive destructiveness greatly alter or destroy this concept. Russia, in the middle, is hemmed in, a concentrated target.

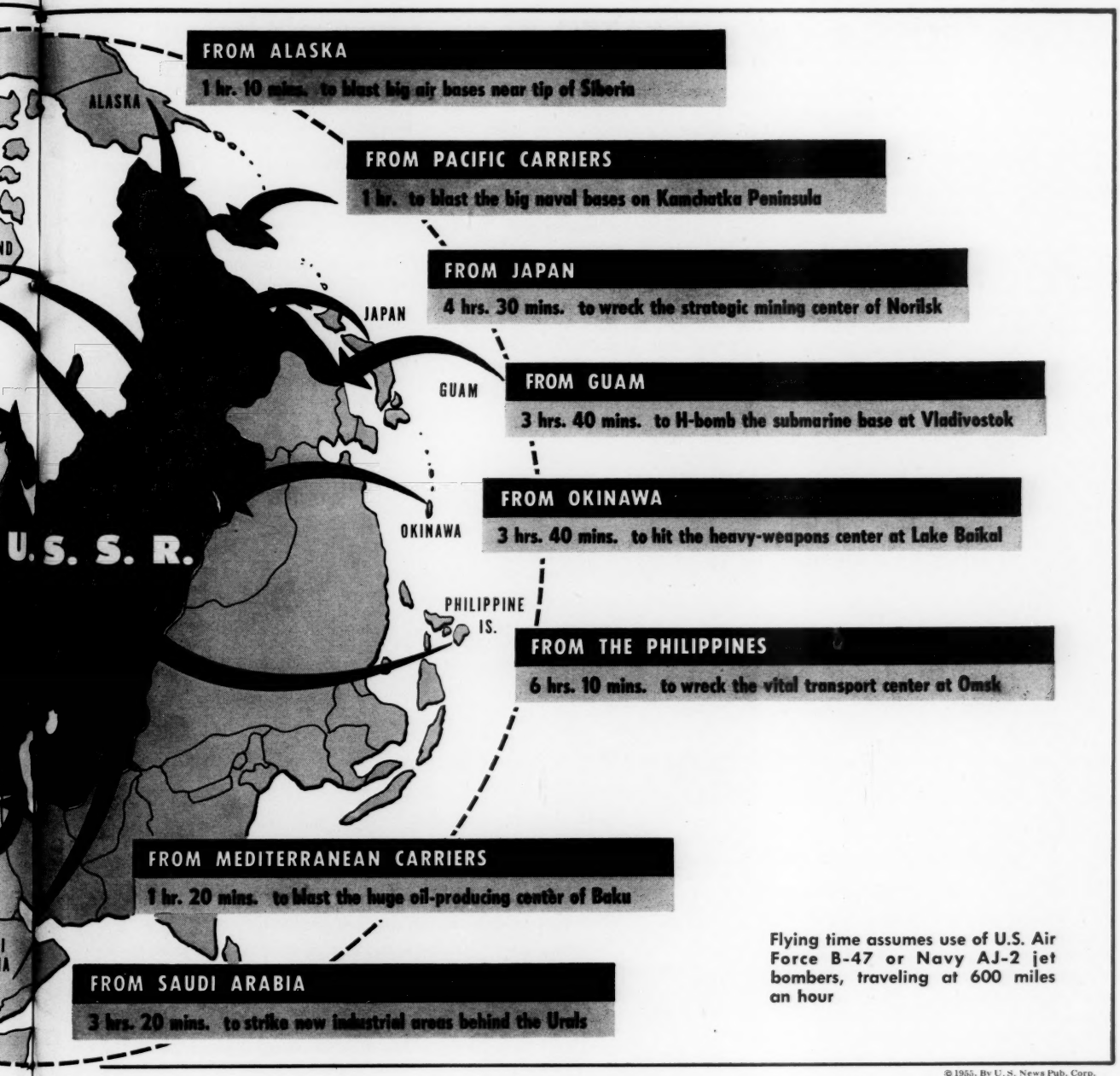
On the periphery are the bases that support American air power. Dominance at sea gives U. S. assured means of supplying those bases. As targets for Soviet attack, they are dispersed, scattered around the world. They are supplemented by floating air bases—aircraft carriers able to change their position 500 miles every day and hurl atomic weapons 1,000 miles into Soviet Russia. Farther off, on dispersed bases inside the United States, are the squadrons of giant jet bombers able to strike across thousands of miles at Russia's heartland.

Looking around, the Communist rulers of Russia notice that they are ringed.

American strategists now consider that there is no escape for Russia from this ring through overt war. This conclusion rests on the inability of an enemy to destroy with simultaneous blows all of the sources of American power. And, if the attack cannot knock out all American power quickly, the skies then will rain destruction upon the attacker.

How certain that retaliatory blow will be, if an attack comes, can be seen by a look at the bombs and bombers now ready to take off on short notice from bases all over the world.

A-bombs: stacked, dispersed. Atomic weapons in U. S. stockpiles, dispersed around the United States and at secret storage spots overseas, include an estimated 10,000 A-bombs and a fast-growing number of H-bombs. Even if more than half were destroyed in an attack.


FROM ALASKA
1 hr. 10 mins. to blast big air bases near tip of Siberia
ALASKA
FROM PACIFIC CARRIERS
1 hr. to blast the big naval bases on Kamchatka Peninsula
FROM JAPAN
4 hrs. 30 mins. to wreck the strategic mining center of Norilsk
JAPAN
GUAM
FROM GUAM
3 hrs. 40 mins. to H-bomb the submarine base at Vladivostok
FROM OKINAWA
3 hrs. 40 mins. to hit the heavy-weapons center at Lake Baikal
OKINAWA
U. S. S. R.
PHILIPPINE IS.
FROM THE PHILIPPINES
6 hrs. 10 mins. to wreck the vital transport center at Omsk
FROM MEDITERRANEAN CARRIERS
1 hr. 20 mins. to blast the huge oil-producing center of Baku
FROM SAUDI ARABIA
3 hrs. 20 mins. to strike new industrial areas behind the Urals
Flying time assumes use of U.S. Air Force B-47 or Navy AJ-2 jet bombers, traveling at 600 miles an hour

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there would be no shortage of U. S. nuclear weapons.

Bombers able to deliver these weapons are in plentiful supply. Only 25 jet B-47s would be needed to wreck Russia with atomic weapons as badly as Germany was wrecked by all Allied bombing in World War II. But more than 1,000 big B-47s now have been delivered to this country's Strategic Air Command and other Air Force commands. In addition, SAC has the nucleus of a long-range B-52 force, several wings of intercontinental B-36 bombers, hundreds of B-50s able to travel long distances with aerial-refueling techniques.

More thousands of American combat planes, able to carry nuclear weapons, are ready in the nation's Tactical Air Command. In its 38 air wings, TAC has brand-new F-100s, late-model F-86s, F-84 fighter-bombers, B-57s and B-66s, equipped to attack enemy targets with atomic warheads.

This brings the number of Air Force wings, ready to strike back, to 88. It involves a sizable number of the 22,500 Air Force planes.

In addition, atomic counterattack can be carried out from 15 major U. S. aircraft carriers, 17 carrier air groups. The carriers alone can launch at one time more than enough atomic fighter-bombers to wreck Russia as badly as Germany was wrecked in 1940-45.

The United States, despite these facts, still can be devastated. The Soviet Union, however, then will be destroyed by the surviving elements of the vast, widely dispersed retaliation force.

When rulers of an ambitious nation can see no prospect of world domination

[continued] # RUSSIA CHECKMATED

without destruction for themselves—so the reasoning of U. S. strategists goes—then those rulers will not chance war.

This is being accepted in the highest quarters of the American and British governments as the most important feature of strategy in the world today.

This conclusion is the base on which American planning rests, as strategy is shaped now to meet developing threats. It underlies decisions that relate to Communist China at this time. It is back of the new assumption that Russia will not come to the aid of Red China if the latter precipitates war. Thus it gives more freedom of action in dealing with aggression in the Far East.

Big war, in other words, no longer is considered a real risk, as U. S. weighs alternate policies for dealing with aggression in Asia and elsewhere. This is in sharp contrast to 1950, when "ground rules" for U. S. action in Korea were laid down on the theory that any slip could lead to immediate, major war with Russia. Now the assumption is that Russia will not dare risk a big war, under almost any provocation, at present.

Some other changes. At the same time, however, other conclusions are being drawn from the underlying certainty of destruction for Russia in any big war.

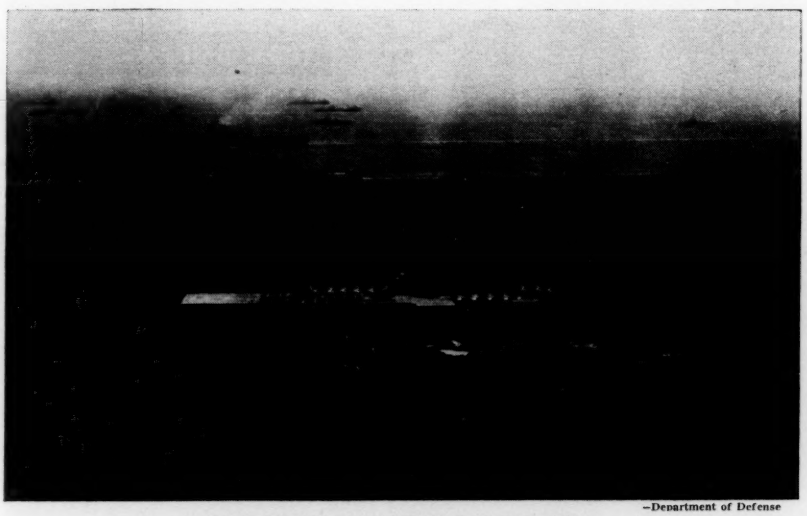
Infiltration and subversion, for example, become even more important weapons for Communism, will be pushed harder as the chance of gains through outright war recedes. These techniques are being viewed by U. S. planners as the real, immediate danger, particularly in Southeast Asia.

"Little wars" also may be promoted by Russia. If they are well disguised as a satellite nation's attack or a civil war, with no danger of the Soviet Union's being drawn in, Russia may take a chance on some new variation of this means of Communist conquest. That, the planners believe, means more tests for U. S., more possible need for forces able to deal with limited "police" actions.

Those conclusions lead to others. One is that the U. S. must keep up a "conventional" military force, as well as an overwhelming force for atomic retaliation. A need is seen for a highly mobile Army, a tactical Air Force, and a Navy able to supply "little wars" in far-off places. Another conclusion is that the U. S. must stay ahead of Russia in new developments that could affect retaliation—things like new-type missiles and bombs. All this requires high research and development costs.

Dollar cost: heavy. Insurance, to buy national security under these assumptions, comes high. There is little likelihood that it will get much below 35 billion dollars a year, or nearly three times what defense costs were before Korea. On the other hand, a practical defense, designed to stave off effectively any nuclear attack against the U. S., is assured at no further big increase in cost.

This defense, moreover, is in place today, ready to operate now. After a build-up of nearly five years, bases are constructed all around Russia, a trained and equipped bomber force is ready to go into action, a stockpile of highly potent weapons is available. Targets in Russia are even picked, bomber crews rehearsed to locate them in any kind of weather, at any time of the year.



—Department of Defense

THE NAVY'S BIG "FLOATING BASES"
. . . A-bomb launchers that are hard to hit

U. S., in other words, can deal from strength, not weakness, at this time. But how long will this American advantage last?

How the future looks. Prospects for the period ahead, as the planners see it, are these:

- Bases, from which to strike back if Russia attacks, will be expanded in number and size. A big new complex has been planned in Spain. More bases are being built in Turkey and Greece. New ones for the Far North have reached the planning stage. The network of North Atlantic Treaty Organization bases in Western Europe, available to U. S. in an emergency, is constantly expanding.
- Floating bases, in addition, are to be increased, with five new super aircraft carriers now authorized, several actually under construction. Development of jet-powered hydroplanes, recently announced, is to provide further means of retaliation without dependence on known, fixed bases.
- Guided missiles, as a new means of delivering atomic warheads to vital targets within Russia, will be important. Several guided-missile battalions already are with U. S. Army forces in Europe. The Continent also has Air Force Matador missiles, able to fly atomic bombs hundreds of miles beyond the Iron Curtain. Navy missile ships, newly equipped with Regulus missiles, are to be able soon to lob nuclear warheads the same distance into Russia from northern waters.
- More important, longer-range missiles soon will be available, able to fly 5,000 miles from U. S. to the heart of Russia, strike within 10 miles of any bullseye there.
- Retaliation weapons themselves will be in more plentiful supply, with the nation's stockpile of H-bombs increasing rapidly.

As a result of all this, top U. S. planners now have more of an air of calm and confidence, are able to base their policy decisions on an assumption that the U. S. finally holds the trump cards in dealing with the Communist world.

Britain's "massive retaliation" policy —page 25. Secretary Dulles warns Reds not to attack Formosa—page 69; the British position is stated by Foreign Secretary Eden—page 107. Korean President Rhee asks the free world what it fears—page 122.

BRITAIN PLANS CHECKMATE, TOO

This country's No. 1 military ally now is reshaping its defenses, *too*, around the concept of massive retaliation.

Here you get a British view of the theory, referred to as "the certainty of retaliation on a mortal scale," and what it means.

In Britain, it's bringing these changes—

- **Big bombers take top role for first time.**
- **Carriers will rate above antisub forces.**
- **Home defense gets greater emphasis.**

How this concept affects Britain's plans is explained by *The Economist* of London.

Following are excerpts from an editorial in "The Economist," of London, for Feb. 26, 1955:

The strategic revolution (for once the word is not an overstatement) that has occurred in little more than twelve months is this: so long as it was the original A-bombs that were in question, a small island might conceivably be defended, while it would take a massive bombing effort to provide an effective deterrent to a large and remote country. Defence and offence were still in some sort of balance. But with H-bombs, there is little or no defence, and the deterrent is overwhelming. Attack has become much the best part of defence, and by the same token the readiness to attack has become much more likely to succeed in its main objective of preventing the war from ever happening. The new doctrine is not easy to assimilate. But it is cast-iron in its logic.

"Hope From Despair"

It is from the horrific facts about the H-bomb that the White Paper [British Government's report on defense] has distilled hope from despair. For the time being—perhaps until ballistic rockets offer to give complete surprise to the attacker—the certainty of retaliation on a mortal scale renders thermo-nuclear warfare useless as an instrument of national policy. It would almost certainly destroy the social structure of the belligerents and dissolve their regimes, certainly any institutions not based on the people's will and needs; and after it the would-be "victor" would emerge far weaker than smaller powers that kept out of the fight—it might be forced to sue for their succour. To a country seeking world-mastery these facts are a deterrent indeed.

Circumstances may render this stable situation unstable again. But the relative security it offers must be a cardinal point of policy. The nuclear deterrent is related intimately to the whole strategic position of the Western powers. For the deterrent to be effective, the Communist powers must know that we are determined to retaliate; that we are in a posture to retaliate effectively; and they must also know what will produce retaliation.

To be undefended on the ground in Western Europe would invite piecemeal advances . . . It must be made evident that aggression in Europe will generate such heat as to make hot war inevitable. The 30 western divisions must be there to prevent any *faits accomplis* by the 100 Soviet divisions.

Nor will Britain's possession of the H-bomb change the facts about what the White Paper describes as "Communist imperialism in the cold war." The deterrent, if effective, leaves the cold war as the only remaining area of struggle in which a final decision can be reached by the Soviet . . .

The West, and its thermo-nuclear deterrent, could be outflanked and isolated by the gradual transfer of enormous territories, populations and resources from the western to the eastern orbit, either by infiltration, or by wars fought by conventional weapons—limited wars on the Korean pattern, perhaps in South East Asia, conceivably in the Middle East or elsewhere. In the political and psychological situation of the most critical area—South East Asia—it is not enough to show that the Western way of life is superior, but also that it is defensible.

* * *

Strict adherence to the order of priorities will alone give the maximum of security. The *first* priority is the maintenance of the deterrent to hot war . . . The *second* priority is the winning of the cold war; and only *third* comes the means of waging a hot war if it should ever get started . . . The weapons to be chosen for the forces, the allocation of money between them, must reflect these priorities. The strategic bomber qualifies for the highest priority; in the Navy, for example, the aircraft carrier, useful (or, as some would say, allegedly useful) both for the atomic deterrent and in the cold war, rates ahead of anti-submarine ships.

* * *

But it does not follow that Civil Defence also must have a low priority. Civil defence—planning for survival—is, in fact, a part of the deterrent against hot war; for it shows that while Britain sees in the immense destructiveness of the opening phase the likelihood that organised warfare would soon cease, she is prepared "to face the threat of physical devastation, even on the immense scale that must now be foreseen" as "manifestly preferable to an attitude of subservience to militant Communism, with the national and individual humiliation that this would inevitably bring." Civil defence is the symbol of an attitude that means no flinching; no bluff. To bluff with the hydrogen bomb would be fatal.

* * *

A Fantastically Destructive War?

This, then, is the emerging pattern: deadly serious preparations for a fantastically destructive war of weeks or days, as the best means of ensuring that it will not happen; preparedness to fight peripheral limited wars and police wars that well may happen and prove costly in men, production and money over the next five or ten years until a new atomic situation emerges—as it may with the ballistic rocket, or when several powers have nuclear weapons.

It is not a happy prospect, and the Government inevitably—and no doubt in all seriousness—tried to soften it with their disarmament proposals. But it could be a worse prospect: a nuclear war that does not happen is still better than a conventional one that does. The fact must be faced that to keep it as favourable as it is, the very heavy insurance premiums must be paid. There is no guarantee that they will not grow heavier.

A New Crop of Millionaires

Stock Options Making Some Executives Rich

Despite high taxes, some people have found a way to make a fortune—and without taking much risk in the process.

Stock options have turned the trick for hundreds of business executives. It works this way:

Executive gets option to buy stock in his company below market price. No tax is due until he sells at a profit. Even then, tax on the gain is only 25 per cent.

The head of a large American corporation commented recently that his new executive vice president, all of a sudden, had become a millionaire.

The story, with variations in detail, has become a familiar one in a good many companies since 1950.

This particular vice president, when he joined the firm two years ago, got a long-term option to buy 15,000 shares of the company's stock. He was guaranteed a price of about $37 a share, which was just a bit below the market value of the stock at that time.

Today, this stock is selling on the market at around $100 a share. On paper, this man has made a fortune. What is more, he has made it in such a way that, if he ever sells, his profit will be taxed at only 25 per cent. That follows because, under tax law, the profit will not be "income," but a "long-term capital gain."

There you have, in brief, the process known as a "restricted stock-option plan." Through a change in tax law, Congress gave official sanction to such plans in 1950.

Since then, there has been a rash of option plans all over the country. The 1950 law came as a possible answer to an old puzzle: how to give highly paid corporation executives some additional reward that would not be gobbled up by the tax collector. It became apparent long ago that, tax rates being what they were, a man could not expect to build any big fortune on salaries or bonuses alone.

Even the option plan was not sure-fire. Whether executives made any money out of an option to buy stocks depended on what happened to the market. Still, hundreds of companies put such plans on the books—just in case.

The bull market turned the trick. Stock offered at low option prices started to climb. Shares in many companies doubled, trebled or quadrupled in value. Corporation executives rushed to exercise their options. Oftener than not, they had to borrow part of the purchase price.

Suddenly, hundreds of these executives became rich men, at least on paper.

How plan works. The thing that appeals to option holders is this: From the individual's viewpoint, a stock option is just about foolproof.

As a rule, he is given a period of years, often as long as 10 years, to exercise his option. And there is no compulsion about exercising it at all.

If the market goes up, so that he is assured of a profit, he buys the stock—at his low option price. If the market goes down, he just sits tight and lets the option go. So, in accepting an option to buy stock, he has everything to gain, and little or nothing to lose.

There is always the possibility, of course, that the market might go off after he buys the option stock. The chances are, however, that he will not buy until the market price is considerably above the option price. That gives him some basis for believing that, in the event of a market slide, he will have time to unload before going in the red.

In this connection, it should be noted that the 1950 law on stock options, though much more liberal than the previous law, is not a wide-open street. There are limitations, which account for the term "restricted" stock options.

If the individual is to get full benefit of the liberalized tax treatment provided by the 1950 law, the option price must not be less than 95 per cent of the market price at the time the option is granted.

Also, for these tax benefits, he must not sell his stock until at least two years

MILLIONAIRES ARE BEING

APRIL 1951 — **Vice President Jones gets from his company, XYZ corporation, an option to buy 5,000 shares of stock at $99 a share. That is just a bit below the market price of XYZ at the time. Option expires in 5 years, if not exercised.**

MAY 1951 — **XYZ corporation splits its stock, two shares for one. Jones now has an option to buy 10,000 shares at $49.50 a share. Stock is now selling at $49.50 after the stock split.**

JAN. 1953 — **XYZ goes up to $67.38 a share. Jones takes up his option and buys 10,000 shares at $49.50. If necessary, he borrows money to pay for the stock. On the total price of $495,000 he already has a "paper profit" of $178,800.**

after he gets the option, and at least six months after he buys the stock.

Assuming the rules are observed, the option holder pays no tax at the time he buys the stock, even though he may have a big "paper profit." That is the big change made by the 1950 law. Until that law was enacted, such a paper profit was subject to the full income tax as soon as the option was exercised. In other words, any difference between the option price and the market price was regarded as income, and the regular tax applied.

Under today's law, there is no tax at all unless and until the stock is sold at a profit. Then that profit—the difference between the option price and the selling price—is taxed as a capital gain, on which the maximum tax is 25 per cent.

Those facts give you an idea of why there has been such a clamor for stock options in recent years.

Where options have paid off. Taking advantage of the new law, more than 400 major companies have adopted stock-option plans in the last five years.

These plans differ in details, but follow a general pattern. Typically, they set the option price at 95 to 100 per cent of the market price. As a rule, stock is offered to key executives only, though a few companies open the plan to all regular employes. Option stock, in a typical plan, represents 4 to 6 per cent of total shares outstanding.

Boards of directors, in their explanations to stockholders, have defended option plans as a ready method of providing incentive to key employes, of giving top executives part of the fruit of their efforts on behalf of the company. Some companies, seeking to hire key men away from competitors, have held out option plans as an inducement. Stock options, thus, have become involved in the competition for executive talent. That accounts, in some part, for the rush to adopt option plans.

Looking over the records of companies that have gone in for option plans in the last five years, you find some spectacular results of the plans.

Aircraft companies offer a striking example. One of these firms in 1952 offered key executives options to buy stock. The price, adjusted to reflect subsequent stock dividends and a 2-for-1 split, was $5.90 a share. Today, the stock bought under this option plan is worth $35 a share on the market, a gain of 493 per cent.

In another aircraft company, 13 executives got options in 1951 to buy a total of 30,000 shares. Every dollar invested by these 13 is worth $4.70 now.

A rubber company in 1951 granted options to employes to buy 200,000 shares. The option price, adjusted for two stock splits in the period since, was $28.44 a share. This stock today is selling for $58.50.

Another rubber company opened an option plan to officers and key employes in 1951. The price, again adjusted for stock dividends and splits, was $21.38 a share. That same stock on today's market is worth $54.75. In other words, the vice president who bought 10,000 shares for $213,800 finds that the same stock now is worth $547,500.

One of the country's fastest-growing companies set aside 95,000 shares three years ago for a stock-option plan. The option price was $29.21 a share. The market skyrocketed. Option stock sold out quickly. In three years, this stock has bounded up to $99 a share.

Take the case of a company official who bought 15,000 shares under that option. His option price was $438,150. The same 15,000 shares, on today's market, would bring $1,485,000. His profit, on paper, is $1,046,850. He could sell out, pay a 25 per cent tax, and still have a profit of $785,138.

That is, of course, an extreme case. The great majority of option plans, however, have produced handsome paper profits for participating employes. Stocks of some companies with option plans have failed to keep pace with the general climb. In a few companies, today's market price is below the option price set two or three years ago. Options in these instances have found few takers.

Where objections arise. The sailing for option plans has not been altogether smooth. Stockholders, as a rule, have voted overwhelmingly to approve their company plans. Some, however, have protested loudly. A few, trying in vain to block options, have brought lawsuits.

Principal objection is that, when the company passes out stock to employes, the existing stockholders' equity and earnings are diluted.

Another major objection is that, on a sale of stock to employes at bargain prices, the company itself loses money. The same stock, say the objectors, could be sold to others at regular market prices. The difference, so it is argued, amounts to extra compensation for employes, yet that compensation—unlike salaries or bonuses—cannot be deducted from the company's taxable earnings.

Despite these protests, stock options continue to spread through U. S. industry. In the last five years, these options have produced a whole new crop of millionaires. That has been one of the important by-products of a bull market.

MADE THIS WAY

MAY 1954

Stock has gone up to $129 a share. The company decides on another split of two shares for one. Jones now has 20,000 shares, each worth $64.50 on the market after the split. Total value is $1,290,000. Jones's "paper profit" now is $795,000.

FEB. 1955

Market price of XYZ stock has gone to $132.50. Jones sells his 20,000 shares at this price. All told he gets $2,650,000. Profit: $2,155,000. Having held his stock for more than six months, he pays a capital gains tax of 25 per cent on the long-term gain, or $538,750.

That leaves, in the clear, a profit of $1,616,250.

If XYZ stock had gone down instead of up in price, Jones would not have had to exercise his option. So he would have suffered no loss.

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After 51 Years . . .

HERE'S THE FORD PLAN TO SELL STOCK

The public, after 51 years, is going to get its first chance to buy stock in the Ford Motor Company.

Millions of dollars' worth of shares are to be offered soon for general sale.

Change is a big one. The Ford Company has never allowed outsiders to buy stock since Henry Ford, Sr., bought out his original backers.

Control will still remain with the Ford family, however. Only stock to be sold is held by the Ford Foundation—and it carries no vote in company management.

This is what is to be done—and why.

Reported from
DETROIT and NEW YORK

Stock in the Ford Motor Company is to be offered to the public at some time in 1955. The first offering, on the basis of present plans may be made in June, barring a major strike in the auto industry.

At that time, around 4 million shares are expected to be offered. Before that time, the present shares will be split 10 for 1 under plans being considered. After the split, the total number of shares outstanding would be 34,529,000.

Sale to the public of 4 million shares, when made, will be just the first of a series of sales. It is probable that, over a period of time, 20 million or more of the 34,529,000 shares—after a 10-for-1 split—will be made available.

The sale is to be made by the Ford Foundation, not the Ford family. The Ford Foundation is a philanthropic agency set up by the Ford family. It finances a wide range of education and welfare projects.

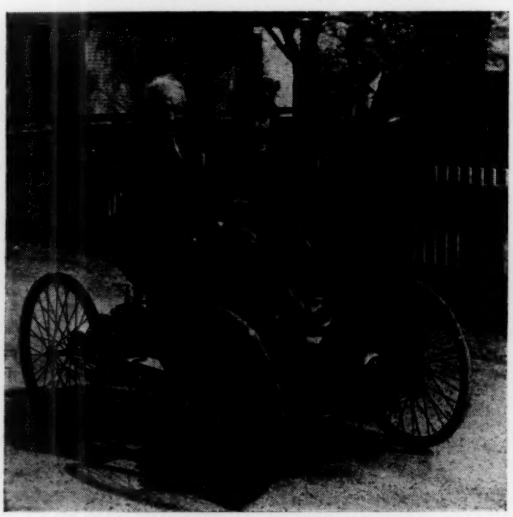
Out of 3,452,900 present shares of Ford Company stock outstanding, the Ford Foundation owns 3,089,908 shares. The Ford family holds 362,992 shares, including 172,645 voting shares that control the company.

Control unchanged. Stock owned by the Foundation, and to be sold to the public, does not have voting power. The total of 3,452,900 present shares will be increased tenfold, probably, by the split, but the proportion of voting shares is not expected to be increased.

The price at which the public will be offered Ford stock is expected to be around $60 a share for the new stock. That would correspond to $600 a share for the present stock.

The Ford Motor Company earned approximately $58 a share during 1954 on its present stock. On the basis of a 10-for-1 split, this would have meant $5.80 per share in earnings for new stock. A price of 10 times earnings is regarded as conservative—accounting for estimates that stock offered to the public will be priced around $60 a share.

The initial dividend on the new stock is expected to be approximately $3 per share annually. That would give the investor a return of 5 per cent on his money, provided the offering price is $60.



FAMILY ALBUM: Mr. and Mrs. Henry Ford, Henry Ford II, and the first Ford car

Dividends actually paid by the company in recent years have been very conservative, amounting to not much more than 25 per cent of annual earnings. The dividend paid in 1953 was $15 per share on present shares, which would provide $1.50 per share on the basis of a 10-for-1 split in the number of shares. The 1954 dividend is understood to have been above $20 per share, on present shares.

In dollar terms, the Ford Motor Company is reported to have earned in 1954—after taxes—in excess of 200 million dollars. Its 1953 earnings amounted to approximately 175 million dollars. The company last year is believed to have paid out around 70 million dollars in dividends. Payments in 1951 and 1952, when earnings were smaller, had been about 35 million.

By reinvesting a large proportion of postwar earnings, and through depreciation allowances, the Ford Company is financing a postwar expenditure of about 1.7 billion dollars on new plant and equipment. The company has no debt either in the form of bonds or bank loans.

Reason for sale. A decision to sell stock to the public—breaking a tradition of 51 years—has been made by trustees of the Ford Foundation, in consultation with the company. This decision is based upon the feeling that no organization should have all of its resources in one basket. The Foundation's holdings of Ford stock are

valued conservatively at 1.8 billion dollars. Its other assets amount only to 100 million dollars.

The sale of 4 million Ford shares to the public, after a 10-for-1 split, would reduce the Foundation's holdings in Ford stock by about 240 million dollars —opening the way for investment of that money in other ways.

Additional shares of Ford stock are to be put on the market by the Foundation over a period of years. Eventually, at least 1.2 billion dollars is expected to be realized from sale of the stock. The Foundation is expected to retain about 600 million dollars' worth of Ford shares, on the basis of present estimated value.

Plans for public offering of stock in the Ford Motor Company have been under consideration for at least two years. Only in recent months, however, have these plans jelled.

The planning is being done by the finance committee of the Ford Foundation. Charles E. Wilson, former president of General Electric Company, is chairman of this committee. John J. McCloy, board chairman of the Chase National Bank, is another member, together with James F. Brownlee, a partner in J. H. Whitney & Company, and H. Rowan Gaither, Jr., president of the Foundation.

Henry Ford II, chairman of the Foundation's trustees, is an ex officio member of the finance committee. He has not taken part in the planning for an offer of stock to the public because of his close identification with the Ford Motor Company, of which he is president and one of the controlling owners.

Others who have had a hand in the planning are Dr. Lionel D. Edie, the committee's economic adviser; George J. Leness and A. M. White, financial advisers; Eli Whitney Debevoise, special counsel.

The stock, when offered to the public, is expected to be listed for trading on the American Stock Exchange. It is understood that the American Exchange is prepared to list the stock without requiring that it carry a voting privilege.

The New York Stock Exchange requires at least limited voting rights for stock, as a condition for listing it. This is true even though the nonvoting stock carries all of the rights to share in earnings that the voting stock carries.

Those making plans for public sale of Ford stock are understood to have concluded that the disadvantages of offering a stock with voting privileges more than offset the advantages. It is understood, too, that the Ford family was not interested in offering for sale any part of the voting stock that it holds.

Shedding a tradition. Decision to sell stock of the Ford Motor Company, whether voting or nonvoting, in itself represents a sharp break with the past.

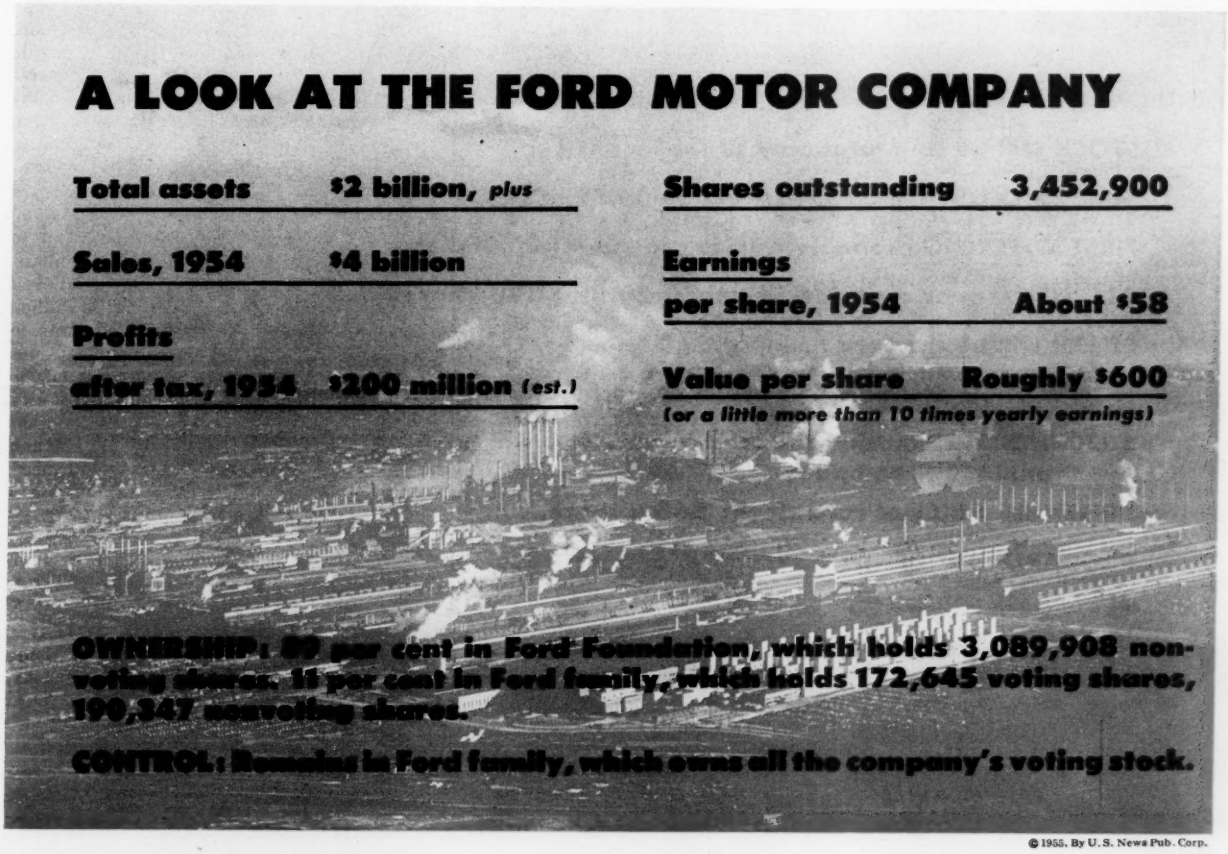
Henry Ford, Sr., throughout his lifetime, had a determination to keep power over the company in his own hands. He had started his company in 1903 with a capital of $28,000. The few individuals who backed him with capital made fortunes, but never were able to gain much voice in management of the company.

Mr. Ford operated with little specific delegation of authority, a minimum of organization and almost no purchasing or cost control.

By 1919, Mr. Ford bought out his associates for 75 million dollars. Not long after that, he ran critically short of cash. Bankers were not willing to lend money except on the basis of some voice in management and some change in procedures.

In this crisis, Mr. Ford turned to his dealers, who were under pressure to take delivery on cars and to pay for the cars in excess of their current needs. That brought in enough money to pull the company through.

While Henry Ford, Sr., lived, he re-


A LOOK AT THE FORD MOTOR COMPANY
Total assets $2 billion, plus
Sales, 1954 $4 billion
Profits after tax, 1954 $200 million (est.)
Shares outstanding 3,452,900
Earnings per share, 1954 About $58
Value per share Roughly $600
(or a little more than 10 times yearly earnings)
OWNERSHIP: 89 per cent in Ford Foundation, which holds 3,089,908 nonvoting shares. 11 per cent in Ford family, which holds 172,645 voting shares, 190,347 nonvoting shares.
CONTROL: Remains in Ford family, which owns all the company's voting stock.

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[continued] **HERE'S THE FORD PLAN TO SELL STOCK**

tained a lasting suspicion of anything having to do with outside financing.

The company itself, during later years of the founder's life, failed to keep up with the procession in industry. By 1946, after prosperous war years, the Ford Company, although it remained an enormous industrial empire, was in a rather bad way, losing money at the rate of about 10 million dollars a month.

Henry Ford II, grandson of the company founder, had assumed the presidency of the company in 1945 and was just beginning the rebuilding process that has proved highly successful.

How management changed. As his top aide in this rebuilding process, Mr. Ford called upon Ernest R. Breech, a General Motors executive at the time. Mr. Breech recently was elected chairman of the board of the company and alternative chief executive. Henry Ford II himself remains president and chief executive.

Mr. Breech in 1946 set to work with Henry Ford II to stop company losses. He slashed costs, recast production programs, put on pressure for redesigned cars.

Since 1946, the company has spent more than 1.4 billion dollars in modernizing plant and equipment and in expanding. In addition, 280 million dollars' worth of plants, office buildings and service facilities are under construction or approved for early construction.

All told, the program now includes 28 new manufacturing and assembly plants, 20 parts depots and 14 major engineering, research and office buildings.

Many of the new plants are very nearly automatic in operation. Some are designed expressly for two-shift operations, replacing one-shift plants. Thus car-making capacity as well as efficiency is increased. Though Ford keeps total capacity a trade secret, it is known to be well in excess of its 1954 record of 1.7 million passenger cars and to represent about one third of all U. S. auto capacity.

With greater efficiency and larger capacity, resulting from new plants, the Ford Company's costs have been cut and its profits increased. That has made it possible to get all the money for the expansion program from inside the company, out of profits plus reserves for depreciation.

Expansion of empire. That is a key reason why Ford dividends are expected to be stepped up to an attractive level, probably 5 per cent on the price of shares, when stock is sold publicly. Reserves, supplemented moderately by earnings as time goes on, appear to be big enough to allow for both higher dividends and continued expansion.

The Ford industrial empire, as it has grown, is one of the largest in the world. In this country it often is rated second in size only to General Motors.

Ford sales totaled 4 billion dollars last year. The company made its estimated 200 million dollars of profits in 1954, after taxes, on that sales volume.

WHEN FORD SHARES ARE SOLD TO THE PUBLIC—

STOCK will be split, probably 10 for 1.

SHARES OUTSTANDING then will be 34,529,000.

FIRST OFFERING probably will be around 4,000,000 shares.

ALL TOLD, over a period of years, 20,000,000 shares are likely to be sold.

SELLER will be the Ford Foundation.

NONVOTING SHARES only are likely to be offered to the public.

STOCKHOLDERS outside the Ford family, thus, will have no voice in running the company.

PROBABLE PRICE of Ford stock: $60 a share.

PROBABLE DIVIDEND: $3 a share, or 5 per cent.

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In addition to cars and trucks, the Ford Company makes industrial engines. It is the fifth-largest manufacturer of farm machinery. The company is starting a drive for leadership in farm machinery. It has just brought out, for the first time, a full line of tractors.

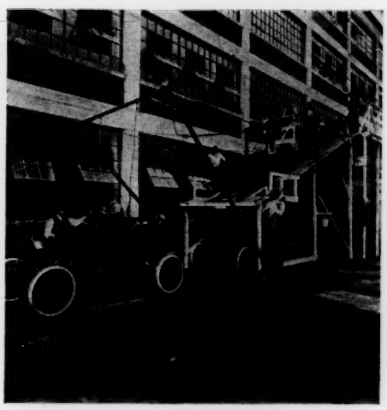
Ford also is the nation's eleventh-largest steel producer, with annual steel capacity of 1,755,000 net tons.

Ford's international operations are growing, too. The company plans to spend 182 million dollars on expansion in Britain in the next five years. It has plans for smaller expansion programs in Belgium, France and Germany.

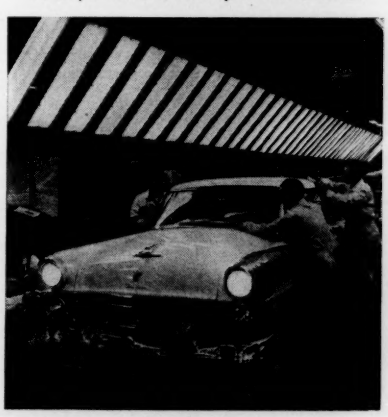
How Foundation started. Ownership of this far-flung empire has been tightly held through the years. The Ford family and the Ford Foundation have been sole stock owners up to now.

The Foundation was established in 1936 as a Michigan nonprofit corporation, chiefly to disburse funds to Ford-family charities. For a dozen years it took in and spent little more than 1 million dollars a year. Meanwhile, it received a big block of stock from the estate of

(Continued on page 32)



MODEL-T STYLES (above) have given way to the sleek model of 1955, with one family still in control



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—Respectfully,
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New York, N. Y., importers thereof

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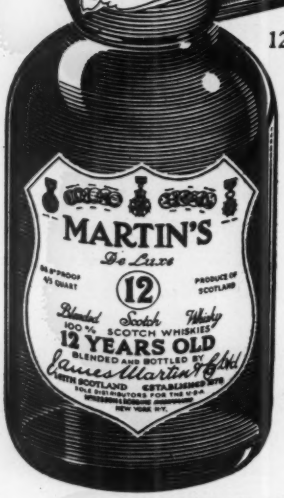
20 years old 86.8 proof

12 years old 86.8 proof



[continued] HERE'S THE FORD PLAN TO SELL STOCK

Edsel Ford, son of the founder and father of Henry Ford II. Edsel Ford died in 1943.

Henry Ford, Sr., dying in 1947, left the Foundation a still larger block of Ford stock—1.4 million shares. This is worth an estimated 840 million dollars, though, like the rest of the Foundation's Ford stock, it is carried on the books at only $135 a share, or 189 million dollars.

Ford Foundation is by far the largest of all philanthropic trusts. Its annual grants-in-aid have been several times as large as those of the Rockefeller Foundation, next-largest agency of this kind.

By diversifying the Foundation's investments, through eventual sale of about two thirds of its Ford share holdings, the Foundation directors hope to stabilize its income and to tie it less directly to the fortunes of one enterprise in one major industry.

Family holdings. The Ford family will continue to hold more than 10 per cent of all Ford stock outstanding. That includes all stock presently having voting power. In the future, too, this will be the only voting stock unless some unexpected considerations of policy cause a change in plans.

Altogether, the Ford family's holdings have an estimated value of 218 million dollars. That is the value represented by 362,992 of the present shares of stock, in the family's possession, on the basis of $600 per share.

Exact distribution of this stock among members of the Ford family has not been announced.

Largest holders, however, are understood to be Henry Ford II, president of the company; his brothers William and Benson, who head divisions of the company; and his sister, Josephine Ford. Another large block of stock is held by their mother, Mrs. Edsel Ford, daughter-in-law of the founder.

The voting shares of the stock, 172,645 in number, are understood to be distributed in about the same pattern as the nonvoting shares, within the family.

That's the picture of plans, as developed up to this point, for offering the general public a chance to buy into the Ford industrial empire—up to now one of the most closely held family businesses in America.

FORD FOUNDATION'S NEW PLAN: Spread Investments

NOW—Foundation money is invested almost entirely in Ford stock.

PRESENT ASSETS:	
3,089,908 shares of Ford stock estimated to be worth...	$1.8 billion
Government bonds, other assets estimated to be worth	$ .1 billion
total assets.....	$1.9 billion
PRESENT INCOME, PER YEAR:	
From Ford dividends (at recent low rate).....	$46 million
From other investments.....	$ 2 million
total income.....	$48 million

THE PLAN—To sell roughly 2 million shares of Ford stock, (20 million if, as expected, stock is split 10 to 1), then invest the money elsewhere, largely in securities of other industries.

ASSETS AFTER THE SHIFT:	
Ford stock estimated to be worth.....	$ .6 billion
Other assets, largely stocks in other companies.....	$1.3 billion
total assets.....	$1.9 billion
INCOME AFTER THE SHIFT, PER YEAR:	
From Ford dividends (at expected higher rate).....	$30 million
From other securities (assuming roughly 4%).....	$50 million
total income.....	$80 million

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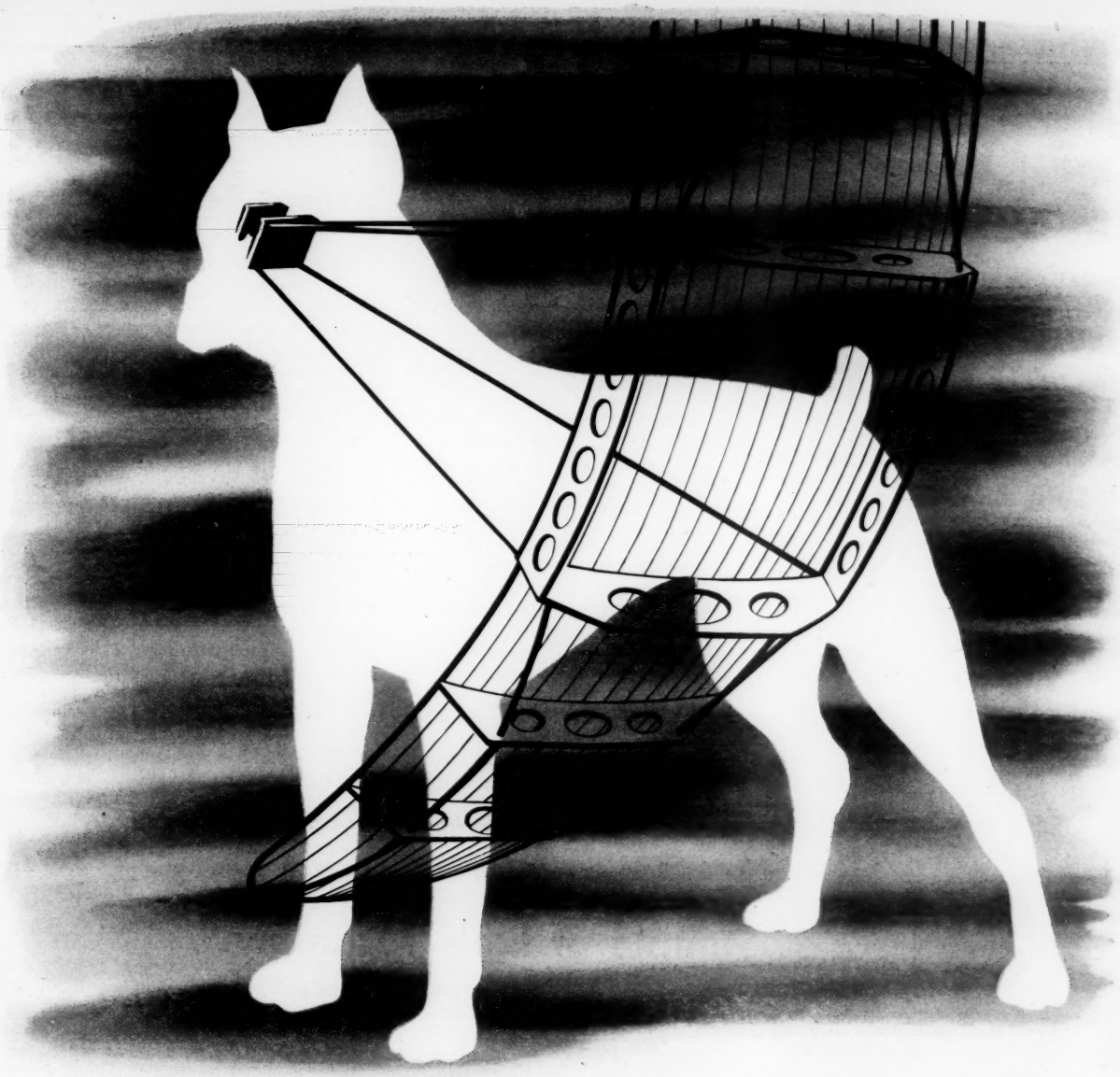

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CINCINNATI 15, OHIO

The Way Ike Makes Friends

Folksy Talks, Intimate Dinners, Personal Charm

With studied skill, President Eisenhower is working hard to make friends, influence voters.

TV, films, recorded talks, personal appearances—all are used to project the Eisenhower charm to millions of people. Experts say he's highly effective.

President Eisenhower is using a great deal of time, and all of the modern gadgets, in an effort to make friends for his Administration. Few days go by in which his personality is not brought to bear upon large groups of people.

The President is making breakfast and luncheon talks and short television and film speeches; he is receiving delegations, holding televised press conferences, giving stag dinners, throwing his weight back of all kinds of worthy causes.

Hundreds of persons are seeing the President in little informal gatherings. Some of these are held at the White House. More are at hotels and clubs in Washington. Still others are scattered around the country where groups pause to listen while the President talks from a screen, over a closed television circuit from the White House. He speaks to still other meetings by recordings.

Plain words. The talks are unstudied attempts to present the personal views of the President on various topics. One speech made to a Masonic breakfast in Washington—see below—is a good example. He simply gets up and tells the group in plain words what he thinks. Those who hear him catch the full play of his personality and go away in a warm glow.

The net effect of the appearances is to heighten the pull upon Mr. Eisenhower to run for a second term—and to convince Republicans that he will agree to do so.

Through personal appearances and the use of television, Mr. Eisenhower is becoming better known to the general public than any President in history. Not a week goes by without his face flashing on television screens and his voice being heard on one subject or another. The televised press conference takes him into millions of living rooms and enables him to speak to people as if a member of the family.

Franklin D. Roosevelt was an adept at using the press conference to put his ideas over. But he did not have television. Mr. Eisenhower uses the medium like a professional. He appears poised and at ease, rarely is flustered by a question, seemingly is at his best in an extemporaneous give and take of questions and answers with news men.

Informality. Even more effective is the impact that the President has upon smaller groups to whom he speaks. He gives them the impression that it is the listener who has done the President a favor by inviting him to come. The President is at his best in these informal meetings. He speaks without notes. This is one of the things that help to keep Mr. Eisenhower's trend line high on the popularity charts.

A Sample of Ike's Technique

Following is full text of President Eisenhower's remarks at the Masonic breakfast at the Hotel Statler, Washington, D.C., on Feb. 24, 1955:

Mr. Chairman, my friends:

I use that form of address, I hope, with no intimation of egotism in claiming all of you in such capacity.

In the first place, I am unaccustomed to the usages of fraternal orders, and I wouldn't know how to address you properly, should I try to follow protocol. And in the second place, although I notice among this audience certain individuals who, to my astonishment—sometimes to my utter amazement—have differed with me on a specific political question, I note also among the audience many that I have classed as my warm personal friends for years. I sincerely trust that all of you feel that we can have differences without breaking a friendship.

But I do feel a very great sense of friendship for individuals of the Americas, because I conceive it to be the first duty of anybody in public office in a free country to sustain freedom wherever it may be alive, or struggling to come alive. In such a body as this, I feel not only at home, I feel a warm sense of fellowship that I am certain can scarcely be closer were I a member myself of this great organization.

It is for a number of reasons that I feel a distinct sense of pride in coming over here this morning. First, as you know, I spent a great deal of my life in uniformed service, and I look forward to seeing some uniforms. To each individual who out in front of the hotel this morning formed part of that colorful guard of honor, my thanks. I enjoyed it thoroughly.

Then when I came in and the choir greeted us with "The Battle Hymn of the Republic," I almost went out to look for a recruiting office. A little later, when this great band favored us with "The Caissons Go Rolling Along," I started to get up and march around the room.

These things are things that touch the sentiment, the spirit of a man. And it is that, if I may, that I would like to talk to you about for just a little bit this morning: the spirit of the individual—his feeling toward his country, toward the society in which he lives.

And when I mention country, may I say to our South American, our Canadian and our friends of other nationalities here, I would hope that my words can be felt by you to apply to your country as well.

We hear a lot in our Fourth of July speeches about the great privileges of American citizenship. We are wont to parade them—our rights, our priceless heritage and our privileges—throughout the world and to ourselves. And they are indeed priceless.

Scores of invitations pile into the President's office from political, fraternal, patriotic and business groups, urging him to say a few words at their meetings, in Washington or elsewhere. Fund-raising groups try to get him to put his voice back of their causes.

Every invitation offers a chance for the President to win new friends. Even the most nonpolitical gathering has a certain political significance. The President accepts as many invitations as he can. When he can do nothing more, he sends "personal greetings" to the groups. If he has the time, he talks to the group over a closed television circuit, using a device that was not available to other Presidents.

Many audiences. Since New Year's Day, Mr. Eisenhower has rolled up a big list of such talks. He has addressed luncheon meetings of the Republican National Committee and educator-members of the Association of American Colleges. Besides the breakfast meeting of Masons, he has talked at three such meetings of Republican women. He has made telecasts for the fund-raising campaigns of Radio Free Europe and the Heart Fund. He has made film talks for the American Legion's "Back to God" campaign and the Red Cross campaign. And he has recorded a message for a USO-fund dinner in New York.

—Ford Motor Co.

IKE IS "GUEST OF HONOR"
. . . via a closed television circuit

In addition, Mr. Eisenhower has sent special messages to meetings of the Boy Scouts of America, to the New Orleans Inter-American Investment Conference and to other groups.

The President prefers to make a personal appearance when he can. But it is seldom possible for him to accept an out-of-town engagement, except when it happens to fit in with the schedule of a planned trip. One of his greatest difficulties is finding the time to squeeze in such appearances. He applies the rule that the group he is addressing must be a national one and must serve a worthy cause.

The Masonic-breakfast talk is typical of Mr. Eisenhower's extemporaneous efforts. He declined the help of White House aides in preparing the speech. And he did not use notes. All he had was a careful briefing on the affair itself, such as is provided for any affair the President attends.

Then the President went before the group and told them in his own words of the things he had on his mind. That is the way he likes to address any organization. He feels more comfortable doing this than he does reading a prepared speech. And he makes more friends that way.

I should like to talk for just a few moments about the responsibilities devolving upon the individual that make possible the maintenance of those rights.

There are great new problems to perform in any society: the care of the sick and the unfortunate, the security of a group in terms of national security and local security, and all the rest. Free government is based on the theory that there will be a certain element of spontaneous co-operation among free people in order to get these jobs done; that they will not all have to be done from a centrally directed authority. The more we allow a centrally directed authority to take these responsibilities and to exercise the necessary authority that goes with responsibility, the more we are deserting the great responsibilities on which rest these great rights and individual liberties.

So one of the prides I feel was the knowledge that I was coming to a group who, through its association, takes on its own shoulders one of the great civic responsibilities: to help care for the unfortunate, to make certain that they are doing something to discharge that old feeling that we do have a selfish interest, indeed, in the welfare of our brothers.

In such a society as ours, unless the whole prospers, the individual cannot prosper; unless the individuals in themselves are prospering, then the whole cannot prosper. We will be serving our own ends of the preservation of our rights and discharging our responsibilities when we do these things.

Government has a function in all of these civic responsibilities, in all these problems. But the genius of our government has been, of course, its federated principle: a central government of limited powers and authorities, giving to each State, to each community, and above all to each individual, certain things he must do, if this great experiment in government, this great revolutionary movement that is still going on, is to succeed.

The Communists claim it cannot. Those of you who have studied carefully any Communist book will find in it a great dwelling upon inherent contradictions within a free society. They prove to their apparent satisfaction that it cannot succeed.

I believe that you gentlemen—each of you who is participating in the great fraternal work of your organization to help the unfortunate—are setting an example to all of us that we must do our duty, if we are to prove the Communists to be in error.

I could not more express my pride than to say I feel that I am in a group which by its actions recognizes its brotherhood at the feet of the Almighty, and discharges the obligations of brotherhood by doing for others those things that other people deserve merely because they are humans and, like yourselves, children of a common God. And so, in these halting words I hope you can find the real reason for my pride in being invited here this morning before such a body, to express to you a few of the words that lie in my heart. Thank you very much.

Minor Ailments, but—

EISENHOWER STAYS HEALTHY

PRESIDENT EISENHOWER has just had his second cold in four weeks. It forced him to cancel a news conference and a meeting with Republican congressional leaders last week, interrupted his busy round of work for most of one day.

Along with his cold, the President suffered a recurrence of pains from bursitis in his right shoulder.

These ailments caused some speculation on the general state of the 64-year-old President's health.

You can take the word of Mr. Eisenhower's personal physician, however, that the President's general health is "excellent."

Last week's cold proved only a minor one, and the bursitis attack was not acute. The President was not confined to bed—and a day later he was out playing golf.

As a matter of fact, Mr. Eisenhower has not been kept in bed a single day by illness since he entered the White House more than two years ago. That's a health record that many a younger man would envy.

The President's physical soundness is attested by the records of Maj. Gen. Howard McC. Snyder, White House physician and Ike's long-time friend.

Dr. Snyder recently completed a review of Mr. Eisenhower's heart records all the way back to 1945. Comparing them with a recent electrocardiograph, he reported "no diversion" whatsoever. Heart records are accounted significant in assessing the health of an aging man.

The President's blood pressure—another critical test for a man in his 60s—is reported better now than it was before he became President.

The one thing that Ike has to watch carefully is his weight. Dr. Snyder sees that rich foods are held to a minimum on White House menus. To help control Ike's appetite—which the doctor describes as "enormous"—the Chief Executive takes a "deappetizer" powder daily.

When Mr. Eisenhower stepped on the scales last week he weighed 178 pounds, only two more than when he took office.

A close watch is kept on the President's health. Every six months he undergoes a two-day physical examination so complete that it requires the services of at least nine topflight physicians.

What these tests show is summarized in the chart on this page.

LATEST MEDICAL REPORT ON THE PRESIDENT

AGE : 64 *(born Oct. 14, 1890)*
HEIGHT : 5 feet, 10 inches
WEIGHT : 178 pounds

EYES:
Farsighted; changed to stronger glasses in January, 1953

HEARING:
Normal

RIGHT SHOULDER:
Bursitis, recurring

HEART:
Sound

BLOOD PRESSURE:
Normal; 142 over 86

PULSE RATE:
Normal; in 60s and 70s

MEDICAL HISTORY

First year in White House (1953):
Sore elbow; mild food poisoning; scratch on left hand

Second year in White House (1954):
One cold; bursitis in right shoulder

Third year in White House (1955, to date):
"Stubborn" cold in February; new cold, some bursitis, in early March

DOCTOR'S VERDICT
"The President's health is excellent"

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WILL TAXES NIP THE HOUSING BOOM?

Heavy Burden on Real Estate Scares Some Buyers

The property owner has had the worst of it in the postwar rise in taxes. Now he is putting up a stiff battle to hold down the local real estate tax.

Results: a search for other local revenues; appeals to Washington for help.

For the latest on tax development of major interest, *U. S. News & World Report* talked to authorities across the country.

Reported from NEW YORK, DETROIT, SAN FRANCISCO and WASHINGTON

Property taxes, after more than doubling since the end of World War II, now are becoming harder to raise.

Homeowners in many places are serving notice on their local officials to trim expenses or, if they must have more money, to get it from some other source. Sales taxes, business fees and income taxes are being chosen by voters and their city councils in preference to higher levies on real estate.

Real estate agents complain that property already is being "taxed to death." They claim that taxes, if they continue to rise, will make it hard to sell homes and thus put a crimp in the building boom. In some cities, high local taxes are accused of driving business away.

Thus, the property tax is bumping against a political ceiling. As it does, there is trouble brewing for the State and federal governments.

Local officials are saying they can't raise the money they need for schools, streets, medical buildings and other necessities. They want more from the States to help foot the bill. States in turn are asking for national help.

The answer of the Eisenhower Administration is new programs involving federal money and credit more than ever before for roads, schools, slum clearance, hospitals and health centers. The effect is to shift the burden from local taxes, chiefly the property tax, to federal taxes, chiefly the income tax.

The chief reason for this shift is shown in the chart on this page. The amount of money paid in property taxes has gone up 105 per cent since 1946. Real estate tax accounts for most of this; taxes on personal belongings are relatively small. Other major taxes, including the income tax, have gone up less rapidly.

So a protest against the stiffest increase, in the property tax, is heard.

How tax bills rose. In most cities and counties, tax bills on real estate have gone up in three ways. The rate has risen. Assessments, setting the value of property to be taxed, have been raised. And new properties have been created; houses and other buildings on once-vacant land have come onto the tax rolls.

The increase of 105 per cent since 1946 reflects all these changes.

The chart on page 38 shows what has happened to city tax rates in the same time. Figures compiled by the Citizens Research Council of Michigan, a private research organization, show an increase of about 24 per cent, based on more than 200 cities ranging upward in population from 30,000.

In the last year, the biggest rate increases have come in the middle-sized cities—those of 50,000 to 500,000 population. The largest cities have more stable taxes; the smallest rely heavily on new building to produce more revenue.

Value of assessments in the Council's list of cities has been raised 39 per cent since 1946.

In rural areas, the same thing is happening. Rate of tax per acre has gone up 73 per cent since 1946, the Agriculture Department estimates. The increase in latest year on record—1953 to 1954—was about 5 per cent.

In some places, the tax now is so high the property owner feels that he is paying twice over for his property within a score of years—once when he pays the purchase price and a second time in taxes.

A county official in Wisconsin reports the tax on some farms near him would equal the value of the farms in 20 years. In poor years, such a high tax eats up a large part of the farm's income.

The tax rate in Boston, where assessments are supposed to equal the full market value of the property, is $69.10 per $1,000. If the assessor is up to date, the tax there will equal full value in less than 15 years.

Taxes on that scale lead to charges that property is being taxed away.

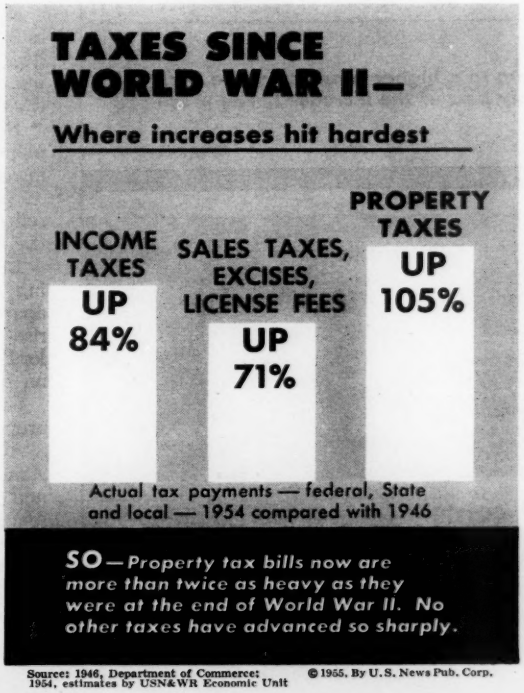
What rolls reveal. These broad averages don't tell the full story. To find out what has happened to the individual taxpayer in the last few years, *U. S. News & World Report* dug into some tax rolls. Here are increases discovered at random for the period 1950-54:

A farm in Connecticut, up 8 per cent; a house in Brooklyn, New York City, up 64 per cent; an apartment building on Central Park West in New York City, up 21 per cent; a bungalow and a small apartment building in San Francisco, each up 21 per cent; a truck farm in Alameda County, California, up 36 per cent; a ranch in the same county, up 37 per cent.

Rebellion is rising against such increases. In Alexandria, Va., a move to raise property taxes 40 per cent through an increase in assessments ran into protests. The city council settled, instead, for a 25 per cent increase.

Substitutes. St. Louis citizens voted to continue a city income tax; a vote against it would have meant turning to real estate for more revenue.

Altogether, six large cities have


TAXES SINCE WORLD WAR II—
Where increases hit hardest
INCOME TAXES
UP 84%
SALES TAXES, EXCISES, LICENSE FEES
UP 71%
PROPERTY TAXES
UP 105%
Actual tax payments — federal, State and local — 1954 compared with 1946
SO—Property tax bills now are more than twice as heavy as they were at the end of World War II. No other taxes have advanced so sharply.
Source: 1946, Department of Commerce; 1954, estimates by USN&WR Economic Unit
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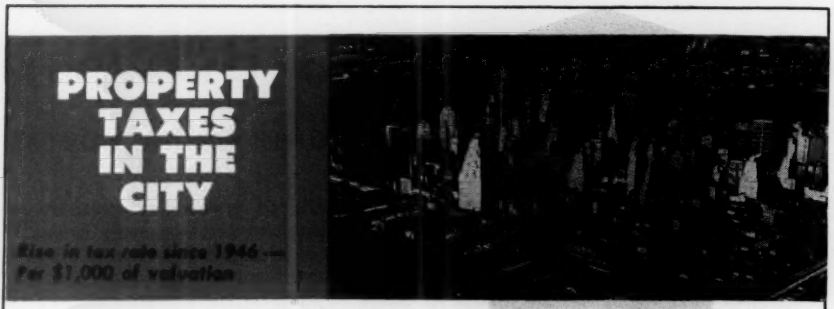


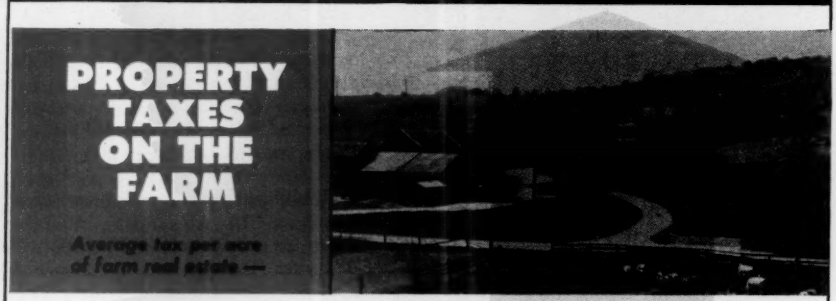
PROPERTY TAXES IN THE CITY

Rise in tax rate since 1946 — Per $1,000 of valuation

Average For More Than 200 Cities	**UP 24%**	
New York City	UP	29%
Portland, Oreg.	UP	23%
San Francisco	UP	23%
Houston	UP	17%
New Orleans	UP	17%
St. Louis	UP	14%
Atlanta	UP	13%
Detroit	UP	10%
Miami	UP	8%
Denver	UP	7%
Cleveland	UP	5%
Los Angeles	UP	5%
Philadelphia	UP	5%

ALSO—

Most cities now apply the tax rate to a higher property value than in 1946. *So the rise in rate is only part of the increase in the property owner's bill.*



PROPERTY TAXES ON THE FARM

Average tax per acre of farm real estate —

1946	49 cents	
1954 (preliminary)	85 cents	
INCREASE	36 cents	**OR 73%**

Source: City taxes, Citizens Research Council of Michigan; Farm taxes, Agriculture Department

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imposed local income taxes to take some of the load off property owners. Besides St. Louis, they are: Philadelphia, Toledo, Columbus, Louisville, Pittsburgh and Washington.

A different choice was made in Phoenix, Ariz.: between a sales tax and an increased realty tax. The sales tax was favored by a 3-to-1 vote.

Other cities have taken that course, too: New York City, Los Angeles, San Francisco, Syracuse, New Orleans and Washington have city sales taxes.

Now a new battle over property taxes is brewing in New York City. The rate there is scheduled to go up, in any event, this year. The fight is over the amount of increase.

In New York, the sales tax and business taxes are not proving a means of stopping the rise in the realty tax.

For the nation as a whole, there seems to be no adequate substitute for realty taxes. In spite of the new levies being tried, the tax on property accounts for about 87 per cent of local collections. That's a reduction from 92 per cent in 1946, according to the Tax Foundation, another private research organization.

Pressure everywhere is strong for more spending—on schools, roads, other necessities—and many civic groups, favoring these expenses, are still proposing higher taxes, including higher property taxes.

Local officials also look longingly at this one levy when they find they need more money. Frequently they argue that, though the tax has gone way up, it has not risen as fast as property values could justify.

Line-up against tax rise. For the millions of new homeowners who have bought since World War II, the mounting tax is a sore revelation. Many had no direct knowledge of the tax before.

Now, under the modern mortgage plans, any substantial increase in tax means an increase in monthly payments. As payments go up, houses get harder to sell. So local real estate boards often take the lead in fighting realty tax boosts.

Landlords, almost to a man, are fighting, too. At a time like the present, when apartments are getting harder to fill, a rise in tax may come out of the landlord's income, instead of being passed on to his tenants in higher rents.

Groups determined to draw a line on property taxes are growing rapidly.

At the same time, they want high standards of public service. To the cities and counties this means mounting expense: more schools, roads and hospitals; higher salaries for public servants; new water and sewer systems.

The only answer that many harried officials can see is to seek more help from the States and Federal Government.

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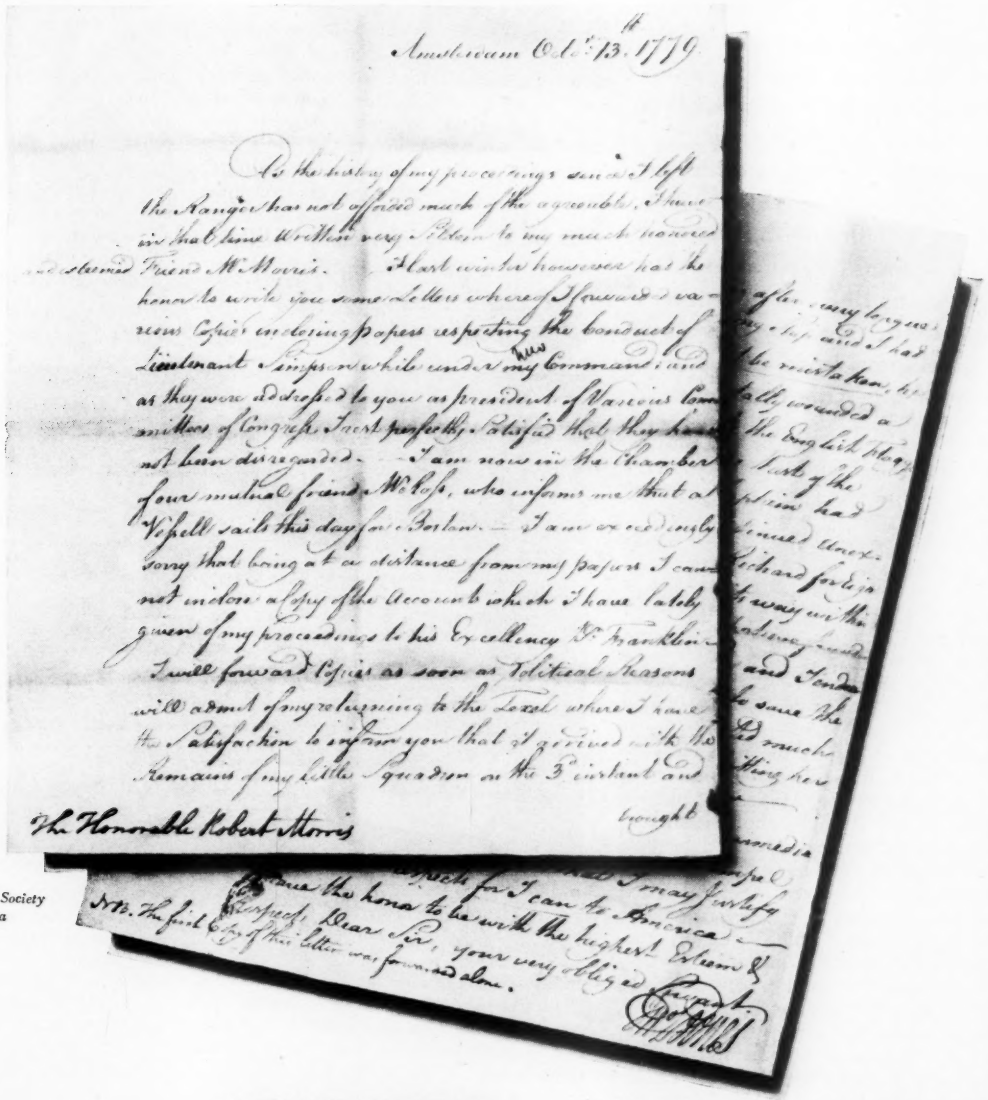
This letter from John Paul Jones to Robert Morris describes one of the most desperate battles in our naval history. Jones, cruising in the leaky Bon Homme Richard, *attacked the* Serapis, *a formidable British frigate. After a fight in which almost half of the 700 men engaged were killed or wounded, the British captain struck his flag. Jones abandoned the sinking* Richard, *and took the British ship to France as a prize.*



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BINGO'S SHADOW OVER POLITICS

Game Widely Outlawed, Widely Played—What to Do?

Elections in cities and States across U. S. now may be influenced strongly by a game of luck once played by children.

Bingo, fast becoming a national craze, is getting into politics because it's illegal—but played nightly—almost everywhere.

Politicians find the new threat complicated, too, by divisions along religious lines, plus a possibility of big-scale racketeering.

Bingo—a simple game of luck played largely at church and charity affairs—is rapidly becoming a major political issue from coast to coast.

In city after city, the game is turning into something of a craze. In Washington, D. C., for example, there now are regular bingo circuits, with free, chartered buses taking the addicts from one church or fraternal hall to another, every night of the week.

Bingo is illegal, however, in 39 States and the District of Columbia. Even though played avidly in nearly every one of them, it is always subject to a crackdown by police. Millions of players appear to feel strongly about legalizing the game. Others feel it should be outlawed as public gambling.

Political battles over the legalization of bingo, as a result, have long raged in New Jersey, New York, Michigan, Colorado, California and Louisiana.

Elections are beginning to turn on the issue. The outcome may be either way. A legalization measure was defeated at the last election in Michigan. But New Jersey voted overwhelmingly to legalize bingo on a local-option basis. Bingo was the principal issue in that campaign. Governor Robert B. Meyner's victory in the election, in the opinion of many observers, came largely because he campaigned in favor of legalizing bingo.

The issue spreads. Bingo's power at the polls, as demonstrated in New Jersey, impressed the politicians in neighboring New York.

Bingo was once a fairly minor issue in New York. In 1943, Thomas E. Dewey, Republican Governor then, vetoed a bill that would have legalized bingo. But in 1954, when the New York Republican Party came out for a referendum on bingo, Mr. Dewey declared that "it might be a good idea to let the people pass upon it. . . ." The Democrats already had agreed to back a move to put the issue before the voters.

Result is that both major political parties in New York now are formally on record in favor of an amendment to the State constitution that would legalize bingo in communities where it is approved by local option and operated under strict supervision.

Under this plan, however, the game could not be made lawful before 1958. It would take about three years to legalize bingo through the referendum process. So a full-scale political battle now is developing on the issue of making bingo legal immediately.

A "quickie" law, advocated by the Democrats, would abolish criminal penalties when bingo is played for charitable purposes. The State Legislature could pass that kind of law in a few days.

Amid all the neighborly gaiety at bingo games, few players are likely to note that politicians are closely watching the bingo vote; or that some of the clergy are fighting bitterly over the right and wrong of the whole business.

Players' worry: prizes. The players' attention is concentrated solely on the prizes. They often see someone winning $10 to $40 on a 10-cent card every few minutes. This whets their appetite for one more game or one more night of bingo. Some women become bingo addicts, going from one end of town to another, night after night, to the halls where games are being played.

Fabulous prizes are advertised for special games on certain nights—$1,000, or a diamond ring, or an automobile. Such offers draw the big crowds. Often 1,000 persons or more flock to the larger games. But, in a typical evening, even at a big game, $150 is about as large a prize as anyone wins. The conditions for winning the big ones are so difficult that one must have phenomenal luck to succeed.

—Wide World

LEGALIZED BINGO IN NEW JERSEY
. . . probably helped elect a Governor

The most common "special" prize is the jackpot, which is so hard to win that no one succeeds until it has been carried over week after week.

The political issue evolving over bingo is complicated, too, by indications that professional gamblers and racketeers are trying to get in on some of the easy bingo money. Not much of this evidence has come to the surface, but such experts as Virgil W. Peterson, operating director of the Chicago Crime Commission, suspects that there is much more of it than has so far been reported.

Mr. Peterson gives this warning:

"If a game like bingo gets to be big money, the hoodlum element is going to

try to get in. They see a good thing, and they take over. It is hard to detect the professional gambler's influence."

Bingo games usually are run by churches, fraternal and veterans' organizations and volunteer fire departments.

When the underworld operator wants to take over, he usually tries to palm himself off as a bona fide operator of commercial bingo. Some charitable organizations have thus allowed themselves to be used by professional gamblers without realizing it. Once the outsider gets control of the game, he rigs it so that he keeps the lion's share of the profits.

The intelligence division of the Internal Revenue Service has recently turned up a flagrant case of this type. A man with a long police record was mastermind of a chain of bingo charity rackets in the Northwest. He got a group of people to form an alleged social club and sponsor a large network of bingo games. The stated intention of the club is to turn over the profits to an organization for welfare work among soldiers.

The ex-convict is completely hidden, working through "front men." But his people are running the games, giving him first crack at the proceeds. The Internal Revenue Service is planning to prosecute him for income tax evasion.

Federal agencies in general are not concerned with bingo abuses, since the problem is primarily one for local police. The Federal Bureau of Investigation is taking no action in the bingo field.

A typical local case against a bingo violation was the arrest in Newark, N. J., last summer of five carnival-troupe professionals who were conducting bingo games, ostensibly for the benefit of a volunteer fire department.

Since New Jersey law, which permits bingo to be played for charity, requires that all operators of the game must be members of the sponsoring charitable organization, the volunteer firemen simply swore in the carnival troupe as members of the department. The State suspended the firemen's bingo license.

How cheaters work. If the game is run by dishonest operators, there are many ways to arrange for most of the prize money to go to confederates among the players. The numbers that are drawn can be "stacked," so that the operator draws numbers which make a "bingo" for a confederate. Another technique is for a confederate to call, "Bingo!" before he really has covered the winning numbers. A crooked usher will quickly "verify" his card before other players can detect the fraud.

Players even have been caught cheating the operators. The American Legion

(Continued on page 42)

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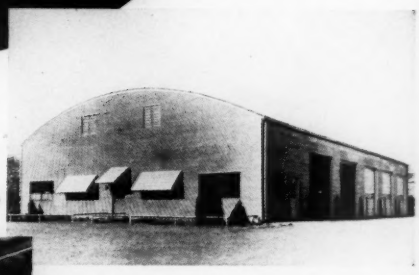

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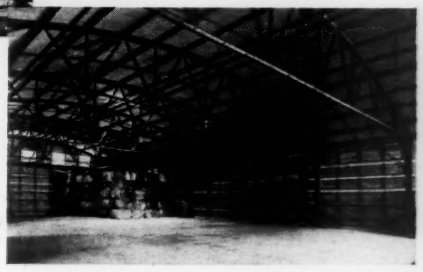

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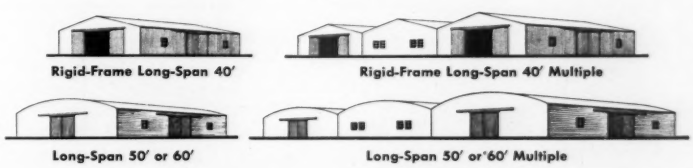

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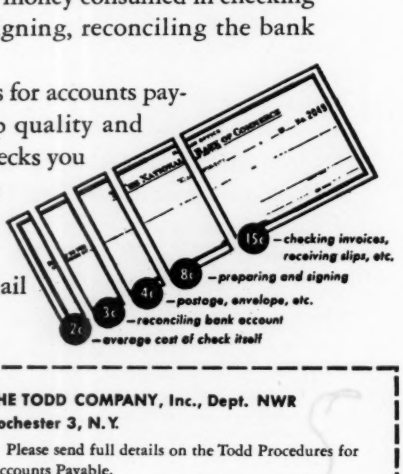
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[continued] BINGO'S SHADOW OVER POLITICS

was operating a big bingo game in East Chicago, Ind., when a woman tried to take a $1,000 jackpot by cheating. She brought with her a blank card and a small printing set. As the numbers were called, she printed them in the spaces, her movements being hidden by three other women who huddled around her, pretending to be playing.

After she had shouted, "Bingo!" the usher detected the fraud, because she had printed one of the numbers on a slant. She was not given the $1,000 jackpot. But neither could the Legion have her arrested, because in Indiana bingo is illegal.

Handsome profits come from the big games, like those that were held by the Church of the Immaculate Conception in the Bronx before a recent police enforcement drive resulted in the closing down of bingo in New York. The church gave prizes as high as $500, attracting large crowds from all over the Bronx. Six chartered buses transported some of the bingo enthusiasts. The church cleared at least $25,000 a year on bingo.

How big is bingo? Some say that a million people play the game every night and that it is a billion-dollar-a-year industry. Such figures are hard to verify. But they don't seem too far out of line when you have such facts as these:

The chief bingo-game manufacturer, the John A. Roberts Company, of Newark, prints 8 million bingo cards a year. In addition, the company prints many times that figure in "extra" or "special" cards. The gross annual profit of the firm has risen from $10,000 in the 1930s to $300,000 today.

Since New Jersey legalized bingo, in April, 1954, the 11,000 games played there are profiting at the rate of 10.5 million dollars a year.

The churches disagree. Religious lines are being sharply drawn in the growing political contest over the game. The Catholic clergy frequently supports the legalization of bingo; and the Protestant, Jewish and Greek Orthodox faiths generally oppose it. The Protestant groups have organized on a wide interdenominational front to beat proposed new bingo laws, and are campaigning vigorously.

The same religious battle lines were drawn during the New Jersey bingo election campaign. And the New Jersey clergymen have now squared off again in a new fight over the "liberalization" of the present bingo laws, as well as other laws regulating charity-sponsored gambling.

Some Catholic priests in New Jersey have strongly urged in public statements that the present State limit on the size of prizes be raised, to enable the charities to reap larger profits. Protestant ministers who do not oppose the game want the limits on prizes kept where they are: $250 a game and $1,000 for an evening of play.

Few Protestant or Jewish churches sponsor bingo games, but many Catholic churches do. Many Protestants play bingo, of course, and they often are among the sponsors when fraternal or other organizations conduct the games.

Players are lured by the promise of big prizes—jackpots often in the hundreds of dollars, sometimes in the thousands. In the larger games, $20 to $40 prizes are won every few minutes.

Players' reasoning. Since nearly all bingo games are for the benefit of some charity, the players can justify their gambling on that basis. It isn't as if they were going to gambling casinos. And it takes less money and effort than horse races.

The only muscular requirement is to cover a number with some kind of marker when you hear it called. The mental exertion consists of listening to the numbers as the caller drones them, hour after hour, and watching to see if they are on any of your cards.

When you cover five numbers in a row, you yell, "Bingo!". If someone else makes bingo at the same time, the winners split the prize. Players squeal and groan when they come within one number of winning. Some buy all the "extra" cards they can put before them, and they are kept furiously busy placing markers on the numbers, both hands flying as if they were playing a fast tune on the piano.

The game is most popular among middle-aged women. Few players, these days, are young, fewer are male. Each player pays an admission charge, typically about $1, allowing her to play some 25 games. High-priced sessions cost $2. At all bingo sessions, "extra" or "special" cards are sold, at about 10 cents each. Most players spend about as much on "extras" as on the regular session.

Bingo was born centuries ago, in Italy. In the 1800s, the game was widely played by American children under the name of "lotto," and it still survives, in that form, today. It was in the 1930s, however, that some churches, hit by the depression, adopted the game. They called it bingo. A number of movie theaters offered bingo games at the same time, in an effort to attract customers.

It is this game that is becoming a serious political issue in cities from coast to coast. Bingo undoubtedly is going to be a factor in many State and local elections in 1955.

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Russia Sells a Steel Mill: Now She Can't Deliver

The Russians, offering India a low-cost steel mill, probably bit off more than they can chew. They're in a jam.

Moscow promised Nehru only the finest, then tried to pawn off an old Czech mill. India rejected that, also an out-of-date Soviet plant that even the Chinese Communists turned down.

Russia has to produce or admit failure.

NEW DELHI

A Russian promise to build a modern steelworks in central India at a bargain price has many people wondering just how Moscow will manage to deliver the goods.

Russia's steel industry is considered to be 20 years behind that of the United States—at about the same level in design and technical standards as in the 1930s. Then Russia had to call on U. S. engineers to bail its industry out of trouble. Soviet mills are known to have difficulty even in meeting Russian steel requirements.

Yet Moscow has signed an agreement with the Indian Government to install an up-to-date steelworks, turning out 1 million ingot tons annually, by 1959. And the Soviets say that machinery and other equipment for this complete steelworks will come to only 91 million dollars, plus shipment costs. This is about half the price that would be charged by most private engineering firms.

Nehru rejects castoffs. The Russians got into the deal when Prime Minister Jawaharlal Nehru said India needed a Government-owned steelworks. India's three private steel plants now turn out 1.6 million tons annually. Mr. Nehru wants to boost that figure to 6 million tons by 1961.

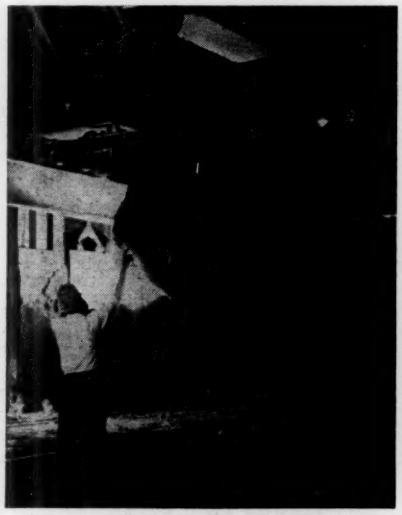
Soviet negotiators have run into nothing but trouble ever since they got down to details of their offer.

At first, the Russians offered India a dismantled steel mill from Czechoslovakia. The Indians turned down that idea right away.

Then they offered a Soviet steel mill. India rejected that, too, after learning that it was a second-rate plant that even Communist China had refused some time ago.

While the talks went on, Communist propaganda committed the Russians more and more deeply to some kind of deal that would back up Moscow's talk of large-scale technical assistance to Asian countries.

Result is that the Russians finally have agreed to furnish India with a first-class steelworks, from some place, at the bar-



STEEL PLANT IN INDIA . . .
. . . there are just three

—India Information Service, Sovfoto

. . . AND IN SOVIET RUSSIA
. . . not good enough?

gain price first mentioned. Now they have to produce it.

Reds beg of West. It seems clear that the Russians will have to go outside their own borders to find suitable experts for the project. Fourteen steel technicians from the Communist zone of Germany are going to India for preliminary surveys.

The only question now is just where the Russians can turn up a suitable steel mill. They are reported to be sounding out manufacturers in Britain and West Germany on the prospects of buying a new mill for delivery to India.

Western Europe, however, has a large backlog of orders for steelmaking equipment. Western Europeans also may be reluctant to part with equipment from which Russians could copy latest designs for their own use.

Even if the Russians do manage to buy a steel mill in the West, it will cost them heavily—at least double their promised price to India.

Indian experts do not rule out the chance that Russia may be able to put together an acceptable steelworks in the Soviet Union. But India has taken plenty of precautions against being trapped into accepting an inferior mill, or paying much more than the agreed price of 91 million dollars for an up-to-date one.

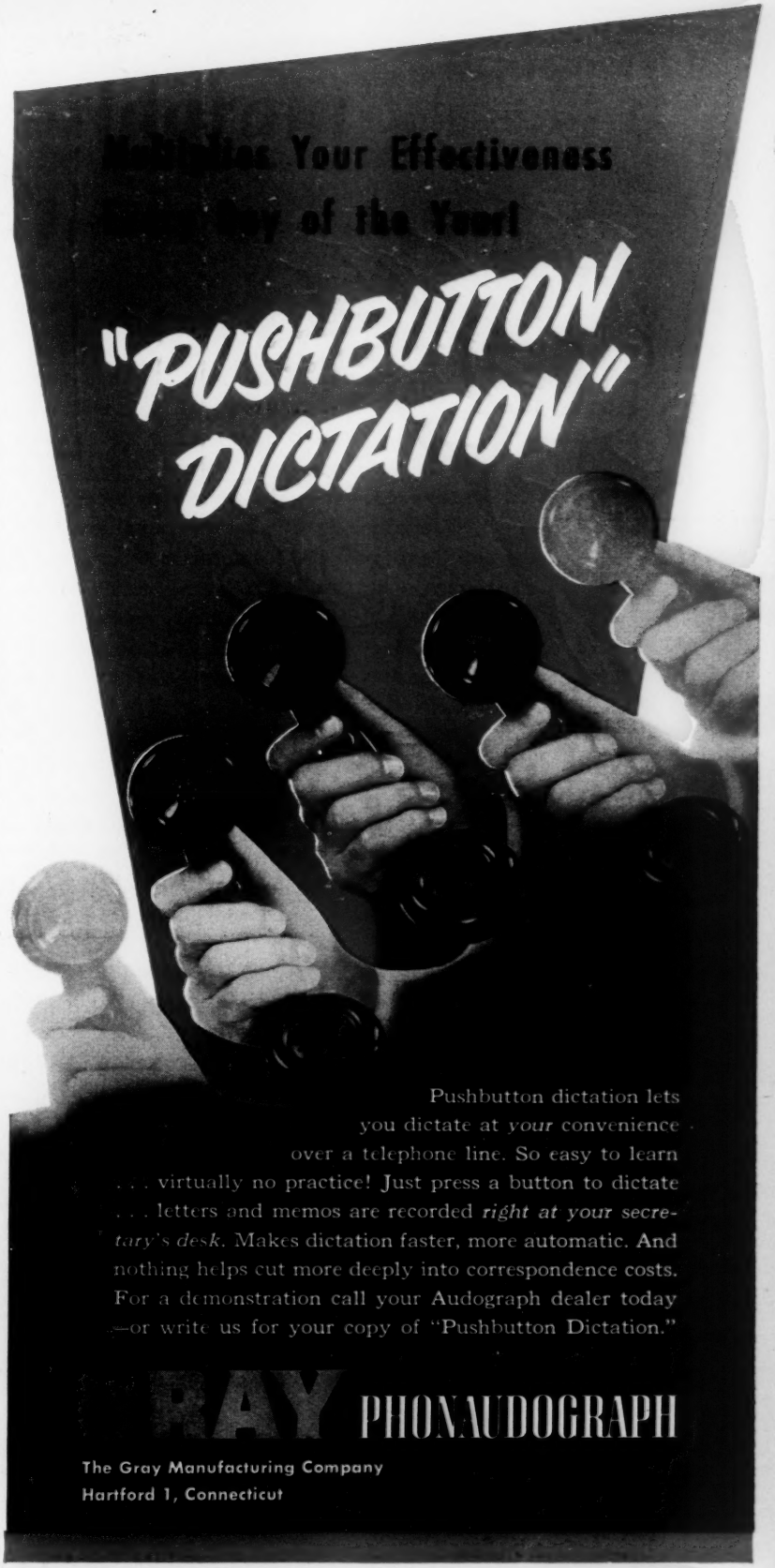
India can deal elsewhere. Financially, the Indians are committed only to let Russia make a detailed project study of the new steel plant, at an extra 5 million dollars' cost—about four or five times what a Western engineering firm might charge for a similar study.

If India rejects the steel mill offered by the Russians, it has to pay only 1.6 million dollars for the survey. The Indian view is that the survey, despite its cost, is worth the money. It involves the Russians even more deeply in their "bargain" offer, so that they will find it almost impossible to back down.

And, if the Russians do give up, India can use the survey when it gets some other country to establish the steelworks. Already a group of Britons is said to be willing to furnish the Government with a steel mill on favorable terms—not so cheaply as the Russians, but with guarantees on delivery and performance.

Officials here still think Moscow will turn up something to maintain Communist promises of technical assistance to Asia. Chances are, however, that the Russians will take a big loss on the deal. They will have to buy expensive machinery from the capitalist world to fulfill their promise—or somehow put together an acceptable plant from their own outmoded steel industry.

They know from the bargaining to date that India will accept nothing but the finest.



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FROM THE CAPITALS OF THE WORLD

TAIPEI....WASHINGTON....LONDON....BONN....

>> To clear away some of the fog over Formosa and Quemoy.....

U.S. purpose now is a cease-fire. U.S., Britain see eye to eye on this.

But: U.S. will defend Formosa. If this isn't clear to Chinese Communists by now, it never will be. Communist air attack on Quemoy or Matsu, similarly, would call for defense by planes based on Formosa and could easily involve U.S. Communists must know this. They have been warned of the risks.

Decision on war or peace is up to Communists. If war explodes over Quemoy, Matsu or Formosa, Communist China--not U.S.--will be responsible for it.

Is war near? Best informed judgment in Taipei, Tokyo, Washington is that big war is not imminent. Reason: Communist China isn't strong enough to take on the United States. Peiping doesn't have the military muscle for that job.

>> There's this to keep in mind when Dulles and Eden talk about China:

Foreign Secretary Eden, with his soft words addressed to Communist China, is reflecting British public opinion. Secretary Dulles, in warning Peiping that U.S. is no "paper tiger," is reflecting U.S. public opinion. Both are trying to convince Communist China it will be in its own interest to agree to a truce.

There's no difference between U.S. and Britain on this immediate goal. The words Dulles and Eden use are different, but the objective is the same.

>> Two hard facts may cool Peiping's enthusiasm for war with U.S.

First fact is that Communist China must have help--and lots of it--from Soviet Russia to wage a major war. But Soviet shipments to China are lagging. Russia has not been able to deliver as promised. Indications are this lag will continue. And Communist China is helpless industrially to arm itself.

Second fact is that the U.S. "tiger" has claws, in the form of mobile sea and air forces able to strike Communist targets with nuclear weapons.

These are potent deterrents to war. Chances are Peiping appreciates them.

>> For Peiping, every ton of fuel for jet planes seems to be important.

Chance of losing one tankerful has Peiping radio on edge.

To give you the story up to now.....

The "Aruba," a Finnish tanker on charter to a Communist firm, is en route to Communist China with fuel from Communist Rumania. What worries Peiping is that the "Aruba" may not reach China. Something may happen to it first.

One possibility is that a Chinese Nationalist warship may seize it.

Another possibility is that the U.S. may intervene with dollars--quietly buy up the cargo, as it did in a similar case a couple of years ago.

Either way, Peiping loses the fuel. That's why it's so alarmed.

(over)

Probability is that the Finnish owner of the "Aruba" will now welcome an offer from the U.S. to buy the cargo. That way, he'll get his tanker back. Otherwise, he might lose tanker as well as cargo.

>> In London, chances of a Labor Party comeback, a Labor Government in power, are not as good as they were. The split in the Labor Party is showing again.

Attack on Clement Attlee, Labor Party leader, by Aneurin Bevan, the fiery Welshman who wants Attlee's job, has exposed the party rift.

Labor's problem, however, goes deeper than this Bevan-Attlee row.

Labor's main headache is that the party is uncertain what its program should be. Neither leaders nor rank and file have a program they're enthusiastic about. With no sure-fire platform, Laborites find it easier to disagree than to agree. The party doesn't quite know where its next program is coming from.

Churchill's Conservatives, as a result, show increased interest in calling a general election this year--before Labor can pull itself together, and maybe before the economic weather in Britain gets any more threatening.

>> In Bonn, to give you an informed appraisal of trends in West Germany.....

Rearming arouses very little enthusiasm. In fact, there seems to be more popular sentiment against rearming than in favor of it.

Unifying Germany hasn't excited Germans as much as politicians say, either. A unified Germany is a hope, of course, but it's more of a political slogan than a popular passion at the moment. You can't find many West Germans ready to make personal sacrifices to bring about reunion with East Germany.

Prosperity, for one thing, occupies West Germans more than politics.

Skepticism about unifying Germany is widespread. The average West German doesn't see how the Western Allies can unify Germany, if Russia is against it, and he sees no way to get unification from Russia except on Russia's terms. He prefers a divided Germany, for the time being, to life under a Communist state.

Politicians' talk, in this situation, doesn't really impress Germans much. Later on, a unified Germany may be feasible. Meanwhile, there is prosperity.

>> Feeling against rearmament of West Germany is a more immediate problem.

Paris Pact, if finally approved in Paris as well as in Bonn, calls for a West German Army of 12 divisions. But, before this army can be created, a bill providing conscription will be required. This bill will need a two-thirds vote to become law. Its chances, with Germans lukewarm about rearming, are not bright.

>> Instead of conscription and a big army, this idea is getting attention:

A professional army, made up wholly of volunteers, is being proposed by a couple of members of the former German General Staff.

Proposal is that such a professional army of 150,000 could be organized in less than two years, cost much less than the 12-division army, be effectively deployed on the Eastern border as a defense against Soviet tank forces.

U.S., West German officials oppose the idea now, but it may gain friends, especially if the Paris Pact hangs fire much longer, or is finally killed.

>> For the history books.....A new movie showing in Bonn includes a shot of Hitler at a parade before the invasion of Russia. At sight of Hitler, the Bonn audience laughed out loud. Hitler, in 1955, reminds moviegoers of Chaplin.

Oldsmobile Ninety-Eight
De Luxe Holiday Sedan

four doors to new style horizons

Buick Special
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BY AUTO TO PANAMA—SOMEDAY

But There's Still a Lot of Work to Be Done

GUATEMALA CITY

A venturesome tourist probably will be able to drive into Guatemala on the Pan-American Highway a year from now—but the day when you can roll along in your own car from the U. S. to the Panama Canal is still just a dream.

Vice President Nixon is urging the U. S. to put more money and effort into the highway. He feels the road could be finished in four years. At the present rate of spending, however, it is more likely to be 25 years before the dream becomes a reality. A look at the map shows why.

Good, "black topped" thoroughfares—two lanes wide—traverse Mexico. But trouble starts at the Mexico-Guatemala border, and from there on the route varies from stretches of pavement to ox-cart ruts and wilderness.

The road is impassable at Guatemala's northern border. Some work is being done there now, and travel should be possible next year. But much of it will be along narrow, curving mountain roads that challenge bold drivers and scare cautious ones.

Driving from the Mexican border to Guatemala City, tourists will pass near the Zaculeu Mayan ruins and the palace at Antigua from which Spaniards ruled Central America for centuries. They will see lush coffee plantations and such things as the picturesque Indian market at Chichicastenango.

From Guatemala City to El Salvador, the highway is fair to good, and after June of this year it will be possible to drive from here beyond San José, Costa Rica. In Costa Rica the road reaches its highest point—more than 11,000 feet—then stops a few miles beyond. It picks up again in Panama near the El Hato volcano, and, from there to the Canal, driving conditions are passable to excellent.

The biggest obstacle to a completed Pan-American Highway from the U. S. to the Canal lies in the rugged South of Costa Rica and along the Panama border. For nearly 150 miles there is no road at all. This is one stretch where construction has never even been attempted.

Pan-American Highway—
Part Pavement, Part Dream
Nogales
El Paso
UNITED STATES
Laredo
Pharr
Brownsville
MEXICO
Mexico City
CUBA
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MILES
GUATEMALA
BR. HOND.
HONDURAS
Tegucigalpa
Guatemala City
San Salvador
EL SALVADOR
NICARAGUA
Managua
San José
COSTA RICA
Panama Canal
Panama City
Santiago
PANAMA
MEXICO: Two-lane highways, paved with "black top," run from five points of the U.S. border to Mexico City. Two-lane, paved highway from Mexico City almost to Guatemala border.
NICARAGUA—COSTA RICA: Highway poor but usable in most of Nicaragua; about 125 miles of paving near Managua. Fair gravel road through parts of Costa Rica, but a 150-mile stretch in the south is impassable.
GUATEMALA—EL SALVADOR—HONDURAS: No highway for 25-mile stretch at Guatemala-Mexico border. Route impassable. Some paving around Guatemala City. Balance in Guatemala is narrow, poorly graded road. Good highway across El Salvador, paved with "black top" most of the way. Gravel, all-weather road at El Salvador-Honduras border, but southern section in Honduras is not up to standard.
PANAMA: No highway at the Costa Rica-Panama border. Highway is standard, two-lane "black top" from Santiago to the Canal and Panama City.
WARNING! Road impassable at Mexico-Guatemala border and in southern Costa Rica

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Interview —with FATHER GEORGES BISSONNETTE

American Priest Expelled From Russia

RUSSIANS, TOO, SCARED OF A-BOMB

A fresh picture of what is going on inside Soviet Russia is presented here by Father Georges Bissonnette, who was unexpectedly expelled from Moscow in the last few days after spending two years in the Soviet Union.

Father Bissonnette, a Catholic priest, was in Russia when Stalin died, was still there during the latest shift of top men, saw how Soviet citizens react to big political shuffles. He discovered also how strong religion remains in Russia.

To prepare for his mission, Father Bissonnette studied Russian language at Fordham and Georgetown universities. In Moscow he read Soviet publications, watched for shifts in propaganda. Here is his story of what goes on in the Soviet Union, as told in an interview with editors of *U. S. News & World Report*.

Q You were in Moscow, Father Bissonnette, during the big change—was there a lot of discussion among the people, such as there is in the U. S. when we have a change of Administration? Or did they take it as a matter of course?

A They took it as a matter of course.

Q There was not too great a curiosity about it?

A No, they couldn't care less.

Q Why is that so—is it a feeling of despair?

A No, I wouldn't say it is that deep. They are just not interested.

Q And also, perhaps, because they have no participation in it?

A That would be quite right. It is something that doesn't concern them—whether the "top man" is called Bulganin or Molotov or Malenkov or Beria, it's all the same to them. Under one name or another, it's all the same.

Q From your observation of the people as you watch their faces—are they nervous people, apprehensive people, or are they complacent about things?

A "Stolid" would be the word, if you wanted to have it in one word. You would need all kinds of qualifications for individuals, but I would say that generally "stolid" would be a good term.

Q Does that mean that they are resigned to a monotony of life, or is that their nature?

A That I couldn't say—I haven't had a chance to study their character deeply enough.

Q Do you hear much talk over there about atomic warfare, as over here we constantly talk about how the world is going to be destroyed if there's an atomic war?

A You read about it all the time—I don't know how much they talk about it.

Q You read it in the press over there?

A Oh, yes. It's in there all the time in their weekly publications, what we call the illustrated press.

Q Do they have a feeling that, if there was an atomic war, both sides would be badly hurt?

A They don't quite approach the problem in those terms, but they stress so much the necessity to outlaw all atomic weapons, the reason being that there would be complete destruction, that there would be an end to any endeavor to better the state of mankind—it boils down to about the same thing. They look at it from a different angle, but they arrive at about the same conclusion.

Q In other words, they are aware of the horror?

A Oh, you're not kidding—very much so.

Q We've wondered over here whether we were the only ones that were being shocked by the stories of what the bomb can do.

A No, I'd say that is pretty well brought out to them. It might not be brought out with all the details and the drawings that we have in our papers, but the horror of it is stressed—oh, yes. And it's brought out that that's the reason why they have their peace plans, why they have the Stockholm conventions and the Vienna conventions of the "World Peace Movement," why they go to all this trouble, and why they try to get these millions of signatures on these different proclamations—it's to forestall the use of any such weapons.

Q Would you say that the net effect of it would be for the people generally to be as opposed to war as we are?

A That's very hard to say. I'd say that they don't want any war—they're very much afraid of war. On the other hand, they're resigned to the fact that they are being "encircled by bloodthirsty capitalists" and that they might have to "fight for their existence"—that, again, is brought out to them. Those terms are translations, by the way, from their pamphlets. Those are their terms—that they might be obliged to "fight for their existence because they are being encircled by bloodthirsty capitalists"—they use them over and over again, like a cliché.

Q Then they are aware of the possibilities of atomic warfare?

A I think I could say that—yes.

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Propaganda Shows Red Fear of Religion . . . People Indifferent To Changes in Their Rulers . . . "God Is Not Dead in Russia"

Q We were led to believe that, while we are permitted to discuss this very freely over here, they are not even aware of the horrors—

A If you read their newspapers or magazines, you'll find they have any number of articles on that, not with all the drawings or figures we have—maybe they wouldn't be up to understanding them—but the horror of it and the necessity of preventing the use of these weapons is stressed continually.

Q There has been a good deal in our papers about the fact that Marshal Zhukov was a great friend of Eisenhower's and, being a military man, that he might be averse to war, and so on—has he been very well received in the press? Are they making quite a fuss about Zhukov?

A Well, they did recently at the Red Army Day. He's the one who read the keynote speech.

Q But is it likely that he will be a prominent figure?

A That I couldn't say. I'm not a political analyst—I wouldn't be able to judge who were the prospects for top honors.

Q Is there a feeling that the succession is not yet complete—that there may be other changes?

A As I told you, they don't even ask themselves any questions. If there is another change, they'll take that in stride.

Q Did you do much traveling?

A I did quite a bit.

Q Would you say that the standard of living is better than it was? Or is there still a great deal of poverty?

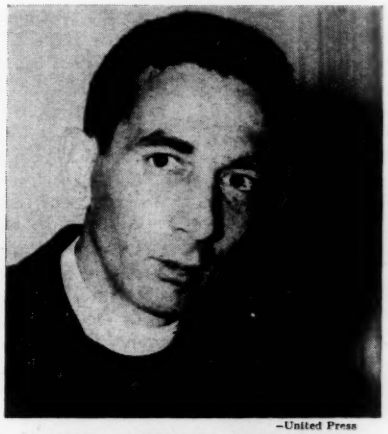
A There is a great deal of poverty, but things are picking up. This might interest you—it would be a way of pointing it out—when I first got there a couple of years ago, whenever you saw anyone in town with a suit or coat that was pretty well cut or a woman with a coat that was bright, you could invariably know it was a foreigner, or at least a high official who had just come back from a foreign country.

Now it is quite different.

I don't say that one out of 10 of the Russian women will have bright coats, or that one out of 10 men will have a well-cut suit, but you do see enough that you can't be sure it's a foreigner any more. That's not a big indication but it points up the fact that things are looking up, they are getting better clothes.

Q What about the food situation? We have heard a lot to the effect that they haven't gotten enough crops and that the food situation was their No. 1 problem.

A I'd go along with that—I think it is their No. 1 problem.



—United Press

FATHER GEORGES BISSONNETTE

Q What is the difficulty? Is it that the land is not properly cultivated or that the peasants are not planting enough?

A I think there's a lot more than that to it, though those you mention are real problems. I'd say that the one that's even more important is transportation. Even when the food has been grown and it's been harvested, sometimes it rots before it can reach the market, because it takes so long to get it from one place to another.

Q It's lack of internal communication, then?

A I'd say that, yes, or when there is some, it is too slow for perishable goods. That's another part of the picture, along with the lack of co-operation on the part of the peasants and faulty cultivation. They're all part of the picture.

Q What other weaknesses would you say there are from an economic standpoint—other than food, transportation, communication?

A Those are the only ones I have been able to observe myself.

Q What is this we hear about the moral conditions in Moscow? Are they good or bad?

A I would say they are no worse than in any other big city in the world.

Q There has been a lot of talk over here that there is a good deal of drunkenness on the streets.

A There is plenty of it, sure.

Q Of course, in our cities we don't seem to have so much of it now—

A Oh, I don't know about that.

Q I guess we take care of them inside—

A That's what I mean. You see, over there they accept that as a weakness of man—that they should be drunk. They don't make any bones about it. People fall down on the sidewalk and the police come and pick them up and take them to a sobering-up station.

Q Is it true of women, too?

A Rarely. I've rarely seen any women drunk. I wouldn't say I had seen none, but I've seen it very rarely.

Q We printed in our magazine recently the Christmas address of the Pope. He made the point that there is behind the Iron Curtain still a deep spiritual feeling among people brought up in the Christian way, and the hope was expressed that this might be a nucleus of great spiritual strength—

A Yes, but you see they have a policy—they don't make use of the outside press except when it suits them. They will quote from papers or magazines whenever it seems to bear out some point they have in mind. They wouldn't report it simply because it is a good point.

(Continued on next page)

. . . "There is only one Catholic church in Moscow"

Those phrases or those headlines which illustrate something they already have in mind they will use. I don't think they have come around to stressing the unity of aspirations of all people who have a common Christian tradition.

Q What is your own feeling—do you expect to go back?

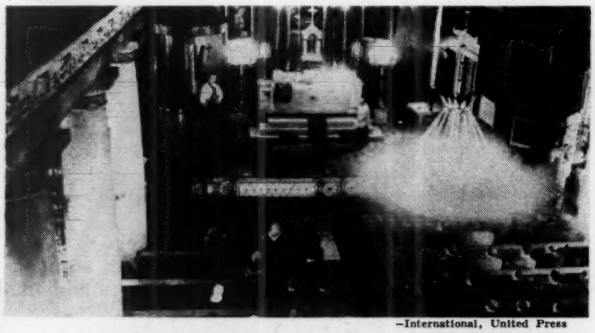
A I don't, but I think there will be a successor for me.

Q You think the work ought to be kept up?

A Oh, yes, we can't abandon these Catholic members of embassies.

Q Do you think there would be any way of getting more Catholic chaplains in there?

A Not more than one at a time under the Roosevelt-Litvinov agreement. You could get a Baptist chaplain in there or a rabbi or an Anglican or a clergyman of any other denomination, but I think one Catholic chaplain is about all the Litvinov-Roosevelt agreement would stand.



—International, United Press

RUSSIANS WORSHIP in Moscow's only Catholic church. Other churches in the Soviet capital have dwindled from 400 to about 50.

Q How long has the Catholic Church had a member of the clergy in Moscow—since the recognition by the United States in 1933?

A We've had one all the time.

Q You've had one continuously?

A Yes. It wasn't always an American. There were lapses when there were difficulties over visas for replacements of the Americans, but there was a French father in those cases, also of our Order.

Q Is this under the auspices of the Assumptionist Order?

A Yes.

Q It doesn't have any connection with any diocese or branch in the United States?

A No. We belong to a religious order which has fathers all over the world.

Q What has been the work done in Moscow? Has it been among the Russians or Americans?

A At the beginning of this period of recognition there was a church called St. Louis des Français where the priest officiated and where Russian citizens, believers in the Catholic faith, could come, and where the foreigners came, too. Since that church is no longer in our hands, the work has been exclusively among the foreigners in Moscow.

Q How long is it since it has been exclusively among the foreigners?

A 1952.

Q So that you have not had an opportunity to invite into your church people from the Soviet nation?

A No, I held services only for the foreign people.

Q Do you have any opportunity to mingle with the clergy of other faiths in Moscow?

A Not in Moscow. I did have a chance to speak to some of them in the Ukraine and in Central Asia, but it was always haphazard—it was during some trips when I might hear of a shrine or a Moslem seminary or a Moslem dignitary, and I would drop in and speak with him.

Q In your work, in your church, have you had mostly Americans or from all nationalities?

A No, they were mostly Italian and French.

Q Who happened to be living in the Soviet Union?

A They were all of the diplomatic colony. They were the only foreigners who were there.

Q Do you have any idea that there could be any more Catholic churches established over there or is it limited?

A Oh, there are, certainly. There is one in Leningrad, and of course there is the church in Moscow which is still operating.

Q You mean your own church?

A No, that was a chapel, in the apartment where I lived, to which the foreigners came.

A CHURCH FOR RUSSIANS—

Q Is there another Catholic church in Moscow?

A Oh yes, St. Louis des Français.

Q Who attends that?

A The Soviet citizens who are Catholics.

Q Is there more than one Catholic church in Moscow?

A No, there is only that one.

Q How many people would it seat?

A I would say between 400 and 600. But there could be more than that, because they stand. They stand in the aisles and in the back of the church, so that I could say conservatively that there are usually about 800 there.

Q Who is at the head of it?

A Father Joseph Butorovitz.

Q He is a Soviet citizen?

A That's right. He's a Lithuanian by nationality.

Q Do they have more than one service?

A They have three on Sundays and one every weekday—that is, the Mass. Then they have an evening prayer service.

(Continued on page 56)

Harvey forgings... changing assembly-hours into flying hours

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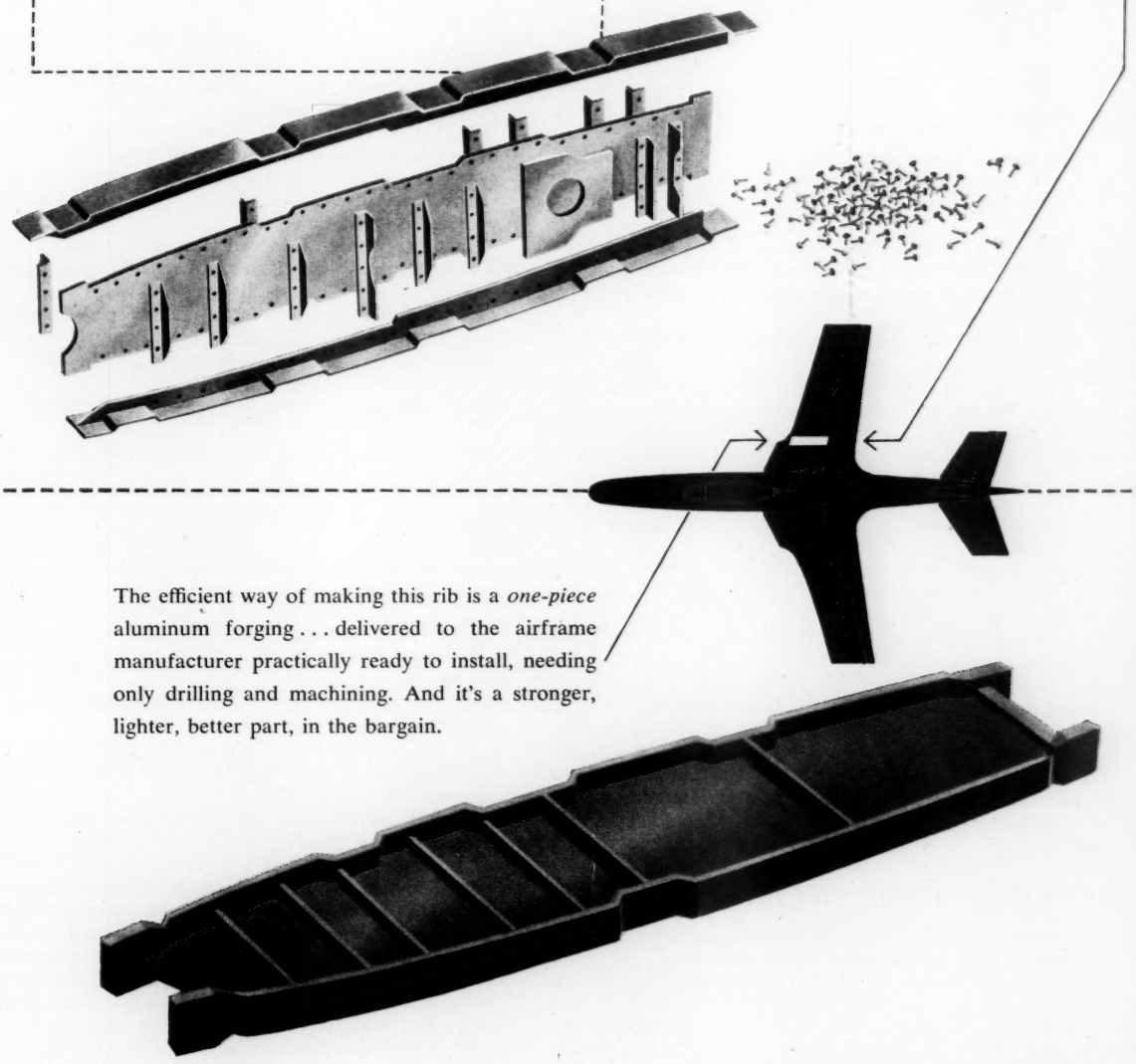

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. . . "There are about 50 Russian Orthodox churches in Moscow"

Q Is the church open during the week so that anybody can go in?

A That's right.

Q What happens during the week? Do many people go in there and pray?

A Yes. I can't tell you about the morning service because I had services at the chapel at about the same time.

Q No, I meant in between, when there were no services going on—

A Well, there are not mobs, of course, but I've been sometimes in the afternoon and I've seen people there.

Q In other words, they are free to come and go?

A Oh, yes.

Q Would you say that there are very many Catholic churches throughout the Soviet Union?

A No, there are very few.

Q Could you guess how many?

A I'm sure of two. I've heard of two more, but I'm not sure of them.

Q They are a distance from Leningrad and Moscow?

A Yes. The others I've heard of are not in that region.

Q What about other Christian churches besides Catholic churches in Moscow?

A Well, the big one is the Orthodox, of course—the Russian Orthodox Church.

Q How many of those are there?

A I couldn't say offhand, but there are about 50 or so in Moscow, including the Cathedral of the Patriarch.

Q Do they have services every day, or are their services only once a week?

A They have them every day.

Q Are they crowded?

A I couldn't tell you about them all—I haven't been to all of them. I've been mostly to the Cathedral of the Patriarch.

Q And how are they attended?

A There are very many, at least on a big holiday.

Q Is it your impression that a great many people go to the Russian Orthodox churches?

A If you compare it to the population of Moscow, it wouldn't be very many. You see, there used to be over 400 churches in Moscow, and now there are only 50 or so left. And the population of Moscow has grown at least 400 per cent since the time when there were 400 churches. So it probably doesn't represent a big slice of the population, but it is an impressive number just the same. I wouldn't be able to estimate it.

ON ORTHODOX WORSHIP—

Q Would you say that the people who go to these churches are young people, middle-aged or old people?

A That is hard to say, again. Here are some of the reasons—I'm not trying to steer you off on this—the reason is that in the Orthodox churches you have no pews, people just stand, and they mill around and the services are very long so some people bring lunch and eat during the services, and as you look at them it is difficult to see how many there are—they are always shifting places.

Q Is it your impression that people go to church as family groups?

A Oh, yes.

Q Then they are all ages?

A That's right. I'd say that the majority would be elderly—mature people and elderly people. There are some young people, but I couldn't say how many.

Q What about the churches of the Protestant faiths—are there any?

A There is a Baptist church in Moscow.

Q How big is that in attendance?

A I'd say about 200 people could be held in there without difficulty.

Q Are there any other Protestant churches besides the Baptist?

A That's the only one, I think. I hear there are a number of Lutheran churches among the people of German descent, but I've never been able to visit any of those; they are not around Moscow. I couldn't say.

Q Then I gather from what you say that the vast number of people in Moscow do not attend church—

A I wouldn't say it is the vast majority of them, because you're never sure the people you see there are the same ones you saw the last time.

In other words, since you have only about 50 churches—where you had 400 when the city was much smaller—it is difficult to say that it is always the same people who go to church. You might have a number of people who go once and the next time you go, it is quite a different group of people. So I couldn't say the vast majority didn't go.

CHURCHES "NATIONALIZED"—

Q Why aren't there more churches in Moscow?

A Most of them were nationalized, you see, during the Revolution and they were turned into dwellings for families or theaters, warehouses.

Q Why aren't there more Russian Orthodox churches? Why wouldn't they have more churches since there are so many more people?

A The basic reason is that Communism is based upon atheistic materialism and its ultimate aim is to eradicate religious belief. But it has tolerated it so far, due to expediency more than anything else.

Q Do you think they have this token representation more to give support to the principle?

A It might be. I wouldn't be able to say surely. You know, the Constitution itself says that there is freedom of religious practice.

Q But, nevertheless, they don't have many churches in Moscow?

A No.

Q So there is some explanation yet to be given as to why they don't have more churches there when their Constitution provides for complete freedom, isn't there?

A Well, there is freedom of religious practice and the Constitution also speaks of freedom of antireligious propaganda, which foresees that eventually there won't be any need for religious practice if the propaganda is successful.

Q Are there many people, do you think, who are becoming convinced by the educational campaign being waged against religion?

A That I couldn't say. I have a negative way of answering that—from the antireligious campaigns.

Q You mean they are so vigorous?

A Yes—their very vigor is a proof that they have not succeeded so far. Then, the fact that they change their tactics

(Continued on page 58)

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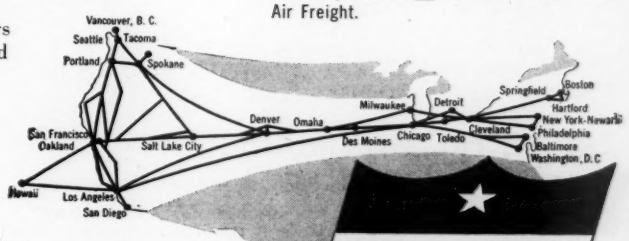

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. . . "Antireligious propaganda has been unsuccessful"

so often would prove they have not found the right formula to achieve their ultimate aim—a godless state. All this points to the fact that religion is still alive; otherwise, they would not take such pains to fight it. God is not dead in Russia.

Q But it has been often suggested here that the reason why it may succeed is that the younger generation is not being given religious instruction and when the older generation dies off there will not be any enthusiasm among the younger people—

A Well, that's the hope of all the antireligious propaganda. But, if you remember, last October when Mr. Khrushchev came out with his decree about antireligious propaganda, he made the point that so far it had been unsuccessful because some young people were still being married in church and still having their children baptized.

Q Do you think that under the new administration in Moscow there will be more opportunity for the existing churches to expand their work?

A I couldn't say—it's too soon yet after the change.

Q Has there been any sign one way or the other about it?

A No, I couldn't say. You see, in Russia it is more difficult than over here—you can't hold surveys and find out what people believe and what they think. You just have to wait until it happens and look back. Then you see that was what was happening all the time. You have to look in the right place for it. You don't have any objective source of information there—you have to work from your own experience and your own deductions.

Q Do you get a chance to talk with the Russian people yourself?

A Not too much. Except haphazardly—like if you're on a trip and happen to be in a compartment of a train with some others.

Q Can you infer that there is a deep spiritual feeling, or is that impossible to infer?

A Again I wouldn't be able to say that I have observed it directly myself. I just have to work from that point I raised a little while ago about the antireligious campaigns. They are aiming at something which is really there—they wouldn't take so much trouble and organize these campaigns so carefully and train so many agitators in antireligious propaganda if there was nothing to fight. You don't go through that much trouble and spend so many hours and the best talent you have if there is nothing there for them to fight.

Q What is it that they are really afraid of about the churches—that they will become political?

A I doubt that. I think it is more fundamental than that. You see, as you know, Communism aims at an earthly paradise and, if people have their eyes fixed upon another world where there will be a retribution—well, then they won't give their all to build that earthly paradise. That's the fundamental principle from which all this antireligious campaign and the fight against the Church stems.

PRAISE FROM KHRUSHCHEV—

Q It has been stated that either Khrushchev or someone had spoken of you some time back as a "sympathetic and intelligent" man. Was that Khrushchev?

A Yes.

Q What was the occasion when he happened to make that comment?

A That was at the Yugoslav Embassy on the Yugoslav national holiday. We were standing face to face while waiting to talk to the Yugoslav Ambassador. While this Ambassador was speaking to Mr. Molotov, there was nothing left for us to do but to speak among ourselves, and he asked me who I was, and I told him I was the American chaplain. Then he began talking about an American he had known before who had helped them to build the Moscow subway and how he had awarded him some kind of medal of the Red Banner for heroic work in the cause of building peace, or something like that.

I congratulated him upon the decree he had put through a few weeks before. I also added that I thought his approach was the right approach, that if they gave these people more freedom of religion you could expect more co-operation from them when you asked them to help fill out the Five-Year Plan and the rest of your economic endeavors. It was then that he brought me over to Mr. Molotov and said that this man was a "sympathetic and intelligent man" and understood what he was trying to do. That was the occasion.

Q Your name sounds French. Are you an American?

A Yes. I was born in New England. My parents are of Franco-American descent.

Q Do you speak Russian?

A Yes—not as well as I'd like to, but well enough to understand Russians. I studied the language at Fordham and Georgetown before I left, and I was enrolled for further studies at Columbia University at the time the order came to go to Moscow.

EXPULSION "A SURPRISE"—

Q Was the recent order to leave Russia a surprise to you?

A I was having lunch when I was called to the OVIR [Bureau of Visas and Registration for Foreigners—a division of the civil police]. This was on the second, and they said I would have to leave the next day or the day after. But when I was handed an exit visa, it said the fifth of March.

Q Do you know why you were ordered out?

A No. No official reason was given. I think it was because the United States refused to let Metropolitan Boris stay any longer—but they wouldn't say so to me. [Since this interview, the Soviet Government admitted that Father Bissonnette's expulsion was in reprisal for U. S. refusal to extend the visa which permitted Metropolitan Boris, Russian Orthodox Church official, to visit the U. S. for 60 days.]

Q You were there about two years?

A Two years and one month.

Q About how old are you?

A I'm 33.

Q You mingled a good deal with our Embassy people, didn't you?

A Oh, yes, they are my people.

Q I noticed in one of the dispatches that when you were playing hockey you injured the Ambassador [Charles E. Bohlen]. Is that right?

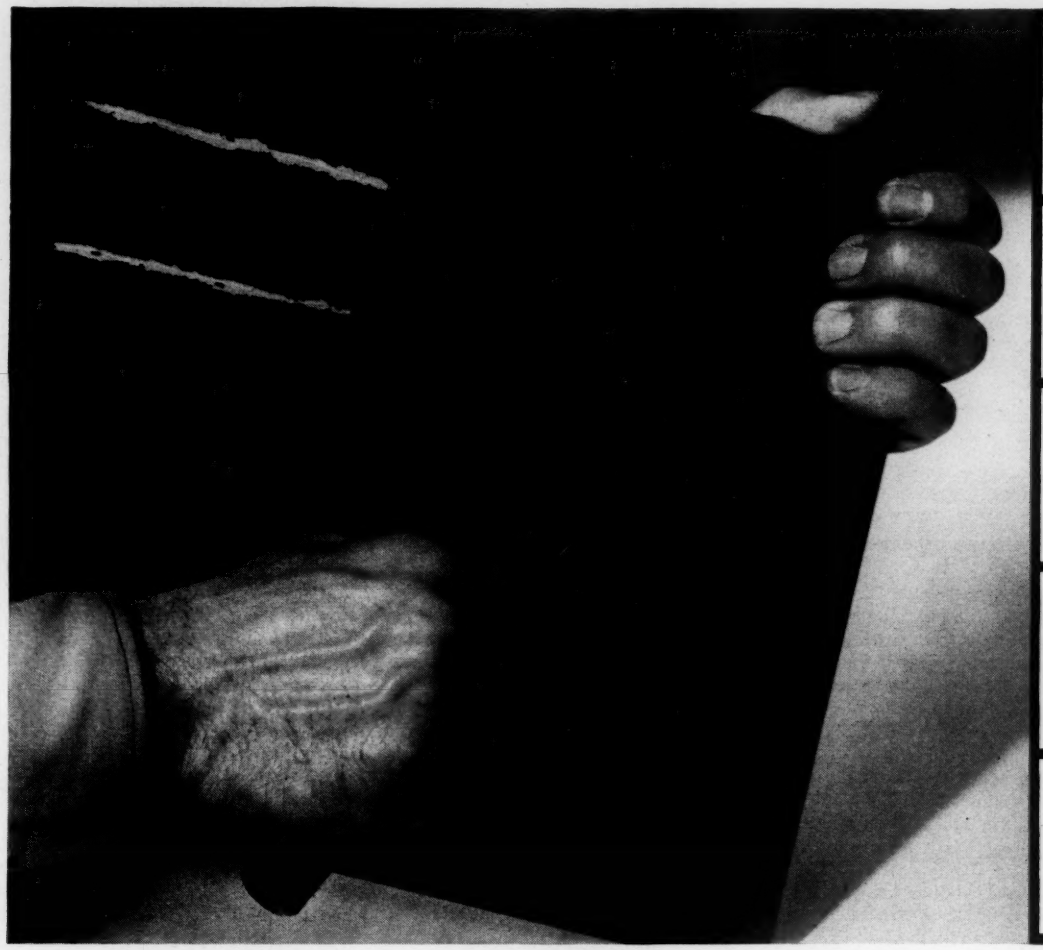
A That's right.

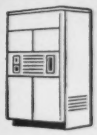
Q Are you a hockey star?

A Not a star—I play. You see, in the diplomatic colony the level of sports is rather low. These people are not athletes, they are sedentary—I'm a sedentary man myself, but we play among ourselves to get a little exercise.

Q Are you glad to be back?

A You bet.





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THE MAN ... John M. Harlan

THE NEWS ... Big Decisions Ahead

–United Press

Court Gets a Third Republican: Will Voting Line-up Change?

A working lawyer, Judge Harlan, is named to the Supreme Court. Senate objectors delay action while the work of the Court piles up and desegregation action is postponed.

THE ELEVATION of John Marshall Harlan to the Supreme Court is to add a comparative rarity to that bench—a working lawyer whose days of active practice are not far behind him. It also will give the Court a full nine-man membership for the first time in months and so open the way to long-deferred decisions on issues of national importance.

Judge Harlan, 55, tall, gray and distinguished in appearance, is a veteran of the New York bar. Until his appointment a year ago to the U. S. Circuit Court of Appeals for New York, Vermont and Connecticut, he was actively associated with a big New York law firm. By contrast, the Supreme Court roster includes four men who practiced law in their earlier days and then went into politics, two who came up through the Justice Department and two law-school professors.

The Harlan appointment was enthusiastically applauded by the New York Bar Association. Nevertheless, the jurist found that the route to a place on the high bench could be cluttered with roadblocks. Some Senators were displeased. Hearings preliminary to confirmation were delayed for months. Some observers thought an ill-concealed filibuster was in progress.

Law's delay. Meanwhile, the Court postponed its scheduled hearings on steps to apply its decision on school desegregation. It was reluctant to act on a question of such importance until a full Court could be present. The postponement may have delayed application of the decision by more than a year, a circumstance not unpleasing to some Southerners in the Senate.

It is assumed that Judge Harlan approves the desegregation decision. Less is known concerning his attitude toward an important pending case involving the Administration's loyalty-security program and the right of a federal employe to face and question his accusers before being fired as a security risk. Some important tax issues also await consideration, together with a mass of more routine business that has piled up in recent months, with eight Justices trying to do the work of nine.

Judge Harlan is considered a "conservative," but perhaps not much more so than his predecessor, the late Associate Justice Robert H. Jackson, even though the latter was named by Franklin D. Roosevelt. The new appointee is a Republican, and the second Court member to be nominated by President Eisenhower. The first was Chief Justice Earl Warren.

–USN&WR Photo

SUPREME COURT VIEW OF CAPITOL
The Senate took its time

The membership when Mr. Warren was appointed included one Republican, Associate Justice Harold H. Burton, appointed by President Truman. Thus, including Judge Harlan, the Court's political alignment becomes three Republicans and six Democrats, the latter all New Deal or Fair Deal nominees.

Lawyer's rise. Judge Harlan was born in Chicago. His father was active in civic affairs, served as a city alderman. His grandfather, John Marshall Harlan, was a member of the U. S. Supreme Court from 1877 to 1911, and the author, in a dissenting opinion on segregation, of the famous pronouncement that "our Constitution is color blind."

The new appointee distinguished himself at Princeton, went on to Balliol College at Oxford University, England, as a Rhodes scholar. Back in the U. S. he studied at New York Law School, went to work for a big law firm. There was an interval as an assistant U. S. attorney, dealing with prohibition cases.

In World War II, Judge Harlan was an Air Force Colonel and became chief of the operations-analysis section of the Eighth Air Force. He returned to his law practice, but his good friend Thomas E. Dewey drafted him in 1951 as unpaid counsel for the newly formed New York Crime Commission. In this post, which he held until 1953, Mr. Harlan investigated gambling and water-front rackets.

With time out for war and the Crime Commission, Judge Harlan was a member of the firm of Root, Ballantine, Harlan, Bushby & Palmer from 1932 until his appoint-

(Continued on page 62)

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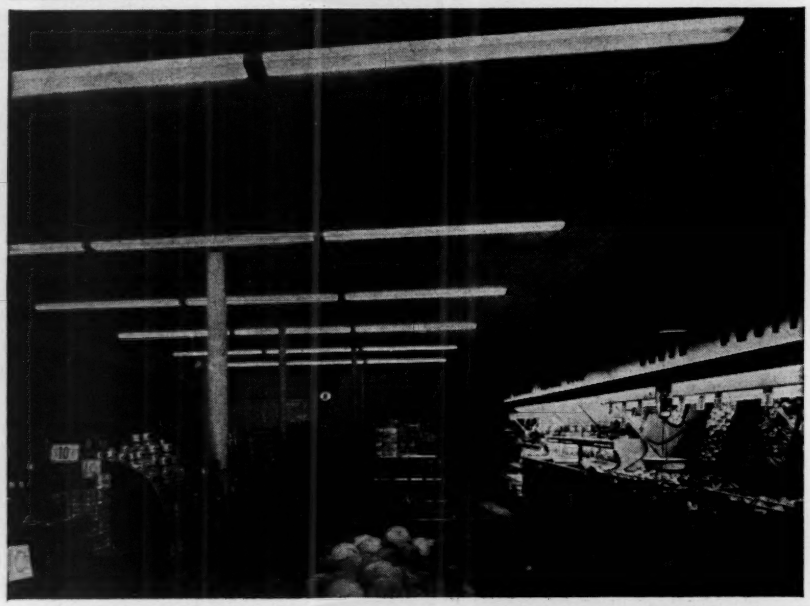

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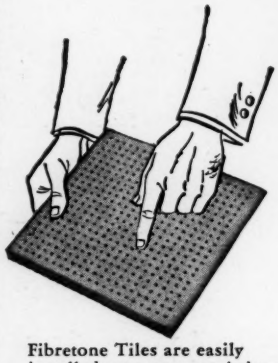

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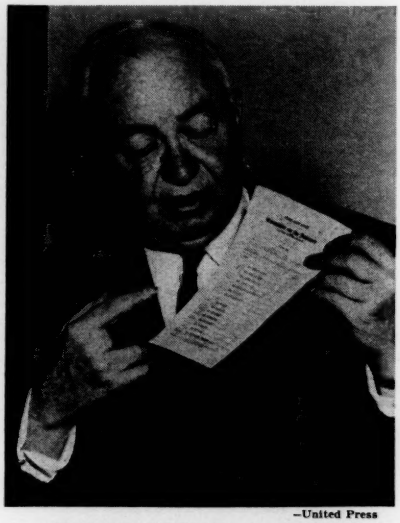
Harlan nomination's delay slows desegregation . . .

ment to the Circuit Court of Appeals, a year ago. The firm, where Mr. Dewey is now senior partner, is prominent, has a large corporate clientele. There was no difficulty about confirmation of Judge Harlan's nomination to the Circuit Court. But with the Supreme Court it was different.

The nomination of Mr. Harlan went to the Senate last November 9, during the special session considering censure of Senator Joseph R. McCarthy. Democrats, foreseeing that they would take control of the Senate in January, simply ruled out confirmation of important nominations during the special session.

Segregation issue. When the regular session convened, numerous objections



–United Press

SENATOR HARLEY M. KILGORE . . . he forced a vote

were raised, but close observers thought the segregation issue was fundamental. The Court had let it be known that it would not proceed with that subject until it had a full membership. Some Southerners, it is asserted, took full advantage of that knowledge.

Hearings were scheduled, then postponed. It was not until February 23 that the Judiciary Committee, under Chairman Harley M. Kilgore (Dem.), of West Virginia, took up the nomination. There were 13 witnesses, including Judge Harlan, himself. After the hearings, there were further demands for delay, but, on March 8, Chairman Kilgore forced a Committee vote. The nomination was approved, 10 to 4.

Meanwhile, much of the current Supreme Court term had gone by. Wheth-

. . . Judge has worked closely with Mr. Dewey

er time remained for the high tribunal to deal with segregation before its usual recess in June was in question. In any event, many thought it doubtful that step-by-step procedures could be formulated in time to go into effect during the school year that begins next September.

Judge Harlan was considered the most important witness at the hearings. Some Senators had pointed questions to ask. They noted that the judge had been a member of the advisory committee of the Atlantic Union and of the Citizens' Association for the United Nations. Some Senators expressed apprehension lest Judge Harlan, by judicial decision in treaty cases, might lean toward the surrender of U. S. sovereignty.

"I am not one of those who believes in any organization, the purpose of which is to override the Constitution of the United States, to surrender one iota of its sovereignty," Judge Harlan replied.

He went on to say that he was "not an internationalist . . . not a one-worlder . . . not a unionist now." But he added that neither was he an "isolationist."

No commitment. Efforts were made to draw out the jurist as to how he might rule in the segregation case and in a number of hypothetical situations. Judge Harlan, fencing with his questioners carefully, declined to commit himself, on the ground that it would be improper for him to do so. He left some of his questioners obviously miffed.

Another objection, one that was given less public attention, comes from the fact that Judge Harlan has been a supporter of Mr. Dewey. This fact does not appeal to Democratic Senators or to Republicans who were adherents of the late Senator Robert A. Taft. The Judge's appointment to the Circuit Court was urged upon President Eisenhower by Mr. Dewey, then Governor of New York.

A short while before the Supreme Court nomination was announced, Mr. Dewey visited the President at the White House.

In addition to the objections mentioned, there are Senators who deplore Judge Harlan's corporate-law connections. In particular, they dislike the fact that he appeared as counsel for the Du Ponts in the Government's antitrust suit against firms owned by that family.

All these things, added up, mean that there has been no disposition in the Senate to expedite the case. Committee approval left final action to be taken by the Senate itself—with a further delay before Judge Harlan, the working lawyer, could take his seat, and the work of the Supreme Court could proceed.

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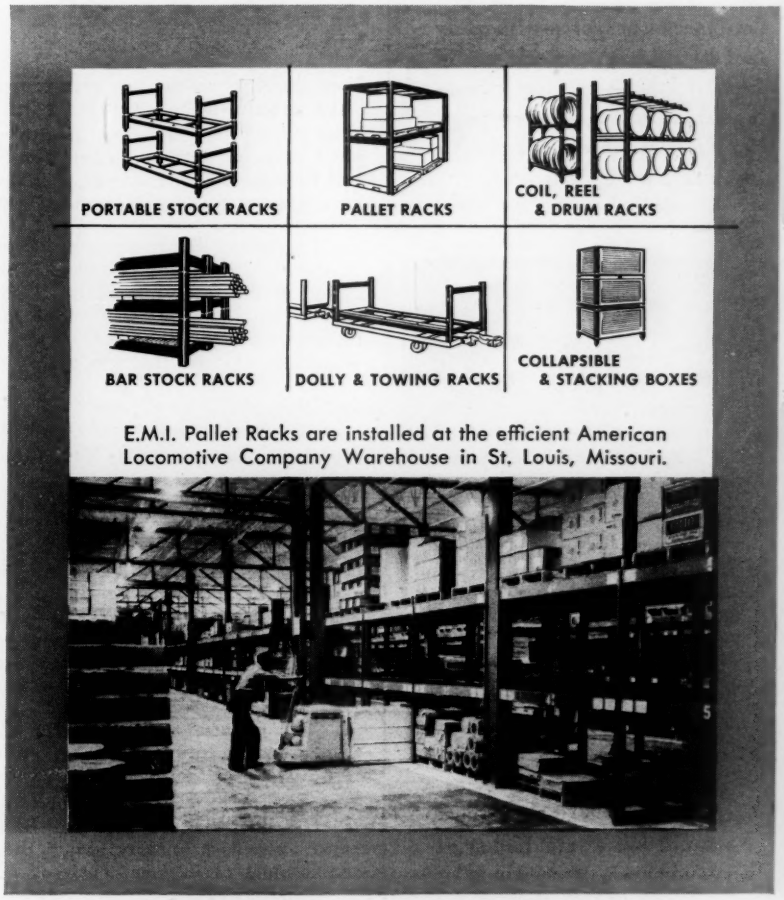

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We've Been Asked:

ABOUT MARGINS ON STOCKS

- **It would take more cash to buy stocks under a plan just suggested to a Senate investigating committee.**
- **The rule on "margins" in such purchases would be tightened in a move to reduce speculation in the securities markets.**

There is talk of raising the margin requirement on stock purchases to 100 per cent. What does this mean?

It means that a person, in buying stock from a broker, would then have to put up in cash the entire market price of the security. He no longer could pay part of the cost and borrow the rest from the broker.

Then buying stocks on credit would be prohibited?

That would be the effect if this proposal were put into operation. The Federal Reserve Board, however, would first have to raise the margin requirement.

The suggestion that margins be raised to 100 per cent came at last week's investigation of the stock market by a Senate committee. The idea was that this might be done gradually, in several steps. Some witnesses opposed the proposal.

Can use of brokers' credit in buying stocks be ruled out under the law?

Yes, it can. The Securities Exchange Act of 1934 gives the Federal Reserve Board power to fix margins on stock purchases. It is up to the Reserve Board to decide what the level of margins shall be. Once before, early in 1946, the Board placed a margin of 100 per cent on stock purchases, eliminating brokers' credit to stock buyers. That 100 per cent figure remained in effect for a little more than a year, and then was dropped to 75 per cent.

Can people buy stocks on margin now?

Yes. The present FRB margin requirement is 60 per cent. This has been in effect since last January, when the old requirement of 50 per cent was raised by 10 points. Thus, for example, if you want to buy $1,000 worth of a stock from a broker, you have to put up at least $600 in cash; the broker can give you credit for the remaining $400.

What's the idea behind the proposal to prohibit buying on credit?

The idea is that this should be done as a precautionary measure to discourage too much speculation in stocks, to check a possible "boom psychology," in view of the generally sharp increase in stock prices in the last 18 months.

What about people who already have bought on credit? If the rule is changed, will they have to pay off what they owe on stocks?

No. Changes in the Reserve Board's rules on margin requirements affect only future transactions. They do not involve credit purchases already made.

If stock prices go down, will persons who hold stocks on margin be required to put up more money?

If stock is bought on a 60 per cent margin and the price goes down, the Reserve Board regulation does not require the purchaser to post additional funds. It's up to the broker whether to call for more cash to protect his position; brokers often do this if there is an important drop in prices. If, however, the purchaser wishes to buy additional stock on margin, the regulation requires him to put more cash in his broker's account to provide the full 60 per cent margin on all new purchases.

How, exactly, does a person go about buying on margin?

He goes to a broker and makes a deposit to set up his own account. Then, from time to time, he gives the broker instructions on buying or selling stock.

If margin credit is prohibited, will there be any way to get around that rule?

Possibly. Sometimes a person can use credit to buy stock without using the margin principle. For example, he might borrow money from a bank or some other lender and then put up 100 per cent of the cost with his broker. He might get a loan on his house or car to raise money to buy stock.

Is much stock bought on margin?

A recent study by the New York Stock Exchange shows that 52.5 per cent of individual transactions was done on margin last December 8 and 15. That compares with 42.4 per cent in March, 1954, and 34.2 per cent in September, 1952. This shows an increase in the use of the margin buying.

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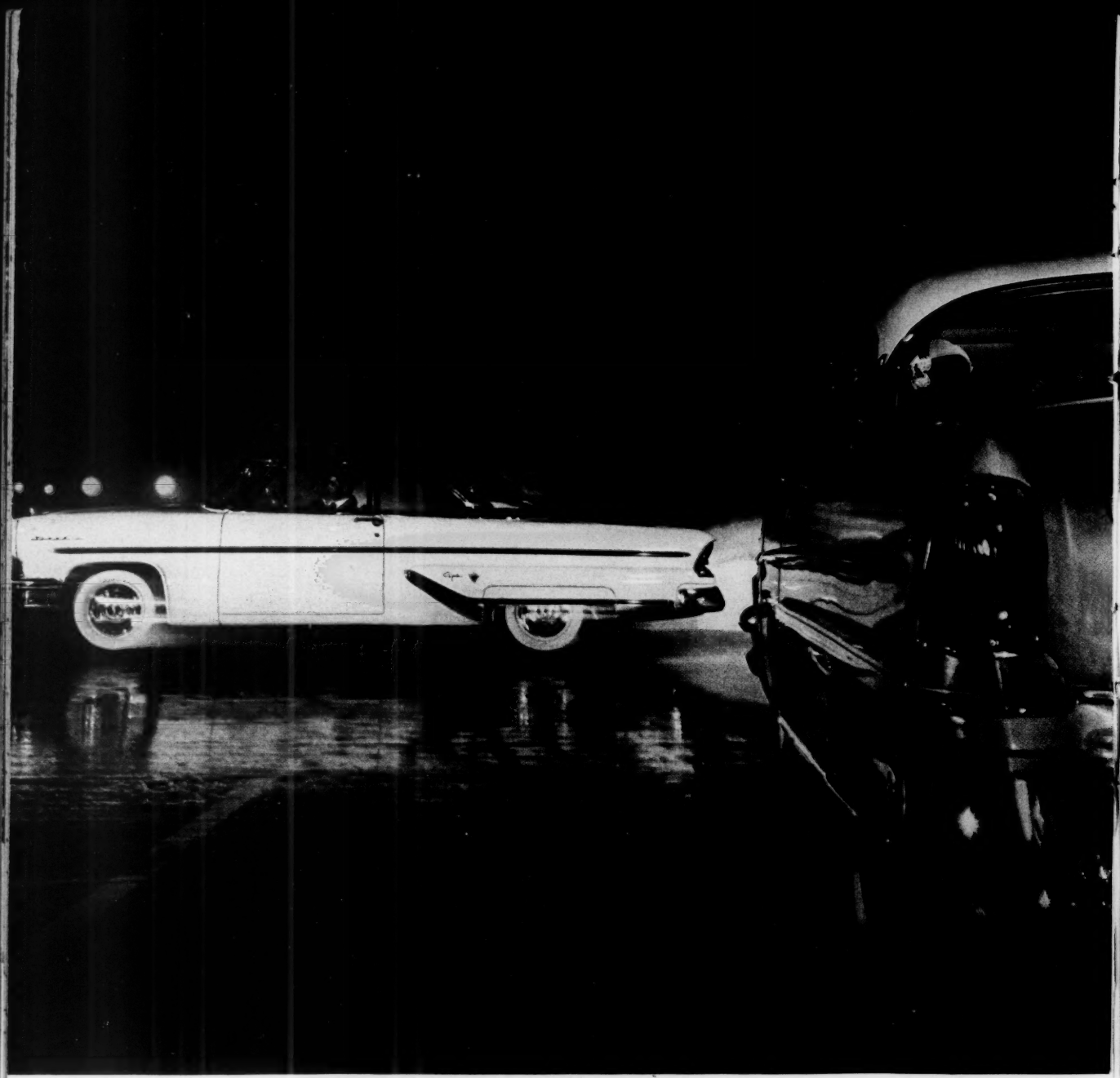

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Mr. Dulles Reports—

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- **U. S. once challenged, can and will obliterate military targets on the mainland.**
- **Full force of U. S. and Asian allies will hit China. Reds, hemmed in by treaties to the north, east and south, are up against a three-front war they cannot win.**

You get the British policy on Asia in a speech by Foreign Secretary Eden—page 107.

Following is full text of an address broadcast March 8, 1955, by Secretary of State John Foster Dulles:

I

I return from two weeks in Southeast Asia and the West Pacific. I visited the forward positions against which the waves of Communism are beating and where the issues of war and peace, of freedom and captivity, hang in precarious balance. There a gallant band of independent and freedom-loving nations stand between 600 million Communist-dominated Chinese and the broad reaches of the Pacific Ocean.

I visited seven Asian and Pacific countries, and met with the Foreign Ministers of three others. I saw Bangkok and Rangoon with their splendid monuments of ancient civilizations. I visited simple agricultural countries such as Laos, where the landing of our plane had to be delayed until water buffalo were driven from the runway.

Everywhere I found ominous evidence of the Communist efforts to terrorize, to beguile, to subvert. But also I found the passionate desire of the free peoples to remain free.

That desire will not prevail unless those who love liberty unite to help each other. So, the United States, acting within the framework of the United Nations Charter, has joined in mutual-security treaties which cover the freedom-loving countries of Korea, Japan, Formosa, the Philippines, South Vietnam, Laos, Cambodia, Thailand, Malaya, Pakistan, Australia and New Zealand.

One of these treaties, the eight-nation Manila Pact for Southeast Asia, has just come into force, and I went to Bangkok for the first meeting of the Treaty's Council.

It was fitting that this first meeting should have been held in the capital of Thailand, for the word "Thailand" means "land of the free." Also it dramatized the new role of Asia when, for the first time in history, a Foreign Secretary of the United Kingdom and a Secretary of State of the United States traveled half way around the world to come to Thailand.

The Manila Pact has three main purposes: first, defense against open armed aggression; second, defense against subversion; and third, the improvement of economic and social conditions.

—United Press

SECRETARY DULLES

II

For the military defense we shall rely largely upon mobile Allied power which can strike an aggressor wherever the occasion may demand. That capacity will, we believe, deter aggression. We shall not need to build up large static forces at all points, and the United States contribution will be primarily in terms of sea and air power.

I pointed out at Bangkok that, for military purposes, the Chinese Communist front should be regarded as an entirety because if the Chinese Communists engage in open armed aggression this would probably mean that they have decided on general war in Asia. They would then have to take into account the mutual-defense treaties of the United States with the Republic of Korea and the Republic of China, and the forces maintained under them. Thus general war would confront the Chinese Communists with tasks at the South, center and North, tasks which would strain their inadequate means of transportation.

The Allied nations possess together plenty of power in the area. The United States in particular has sea and air forces now equipped with new and powerful weapons of precision, which can utterly destroy military targets with-

(Continued on page 70)

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Our booklet called "Industrial Location Services" shows how you can put this valuable plant-location data to work. To get your free copy, just drop me a card, care of the New York State Department of Commerce, Room 727, 112 State Street, Albany 7, New York.

Ronald B. Peterson

Director, Industrial Location Service

"The problem of subversion is perhaps the greatest danger to the Asian area" . . .

out endangering unrelated civilian centers.

Our Treaty Council, after appraising the military factors, concluded that the available military power offered solid hope of deterring open armed aggression against the treaty area.

In order to bring our power to a concerted pitch, our military advisers at Bangkok started their work together. It is expected that another military meeting will be held at Manila next month. In this way information will be exchanged about the forces which could be made available, and strategies can be agreed upon. Also out of these meetings may come plans for combined military exercises.

III

Then we took up the problem of subversion. At the moment, it is perhaps the greatest danger to the area. This danger will, I think, be diminished as it is better understood that the Treaty nations have the power and the will, to strike down an open armed aggressor.

To illustrate this connection between direct and indirect aggression I may mention the situation in Laos. In two of its provinces there are disloyal elements, supported by the Chinese and Vietminh Communists. The Laos Government is seeking to re-establish control over its own territory. But it is worried less, if it suppresses the Communists within, it will be struck by the Communists from without. I hope that that worry is now allayed by their better understanding of the protective nature of the Manila Pact.

In other countries also, active subversion is being promoted from without. To deal with this is in each case primarily the responsibility of the governments concerned. However, often the nations can help each other by exchanging information, for example, about the movements and activities of international Communist agitators. Also, those who have dealt successfully with this problem can give advice which will help others of lesser experience. The Philippine delegation did this at Bangkok. They told how their Government had dealt decisively with Communist-inspired revolt of the so-called Huks.

It was agreed there would be meetings of experts to facilitate exchanges of views about these problems of subversion.

IV

Also at Bangkok we dealt with the third treaty task, that of improving economic and social conditions. This problem divides itself into two parts. First is the problem of meeting the cost of more effective security forces.

As I have said, the Council is not trying to build up vast new military establishments. But there is need of modest national forces which are well equipped and loyal, which can support the authority of the government throughout its territory and fight initial defensive actions if there should be attack from without.

Even these limited forces involve an economic burden which some of the countries cannot carry without help. So, the strong will help the weak by providing some military equipment and financial support. Funds for that have been voted by the Congress for the current fiscal year, and the Administration is asking for a renewal of funds for this purpose for the coming fiscal year. Thus there will be special recognition of those countries which assume military obligations with us.

—Wide World

CHIANG KAI-SHEK

Mr. Dulles: "We hope that a cease-fire may be attainable"

A second phase of the economic problem is general improvement of economic conditions in the area. This calls for capital developments. Industrialization should be speeded. There should be better roads, more irrigation works and improved port facilities. There is particular need for a larger exchange of goods and services as between the countries of South and Southeast Asia and the Western Pacific. Japan, with its large capacity for industrial production, and its need for food and raw materials, is an important element in this situation.

This problem of economic improvement goes beyond the immediate Treaty area. The Treaty area is not and never can be a self-contained economic unit. The great bulk of its trade is with out-

. . . "The Manila Pact was made an effective concern"

side areas. There is need for programs to develop broadly the economic possibilities of all the free Asian countries. The Treaty nations will study their problems from this viewpoint.

At the Bangkok Conference, I took occasion to re-emphasize President Eisenhower's desire that atomic energy should be used to benefit mankind and to enrich the life of the great masses of humanity. We are not satisfied to see atomic missiles becoming conventional for war while vast possibilities for peaceful betterment are still undeveloped. I described our programs for education in this field, and I extended a special invitation to the Manila Pact nations to send representatives to the United States so that they could begin to study the good uses to which atomic energy may be put. There will, I believe, be a welcome response to this invitation.

V

The Manila Pact represents not only enlightened self-interest, but also high ideals. These are expressed in the Pacific Charter, a document inspired by President Magsaysay which was signed with the Manila Pact. That Charter deals with political independence and economic progress and social well-being.

Three of the Asian parties to the Pacific Charter, Pakistan, the Philippines and Thailand, may shortly be meeting with other Asian countries at a so-called "Afro-Asian Conference." So, our Conference at Bangkok sent a message of cordial greeting to this Afro-Asian Conference, and we expressed the hope that it will support and reinforce the ideals so nobly expressed in the Pacific Charter.

In the sound ways I outline, the Manila Pact was made an effective going concern. The way of the aggressor has been made harder.

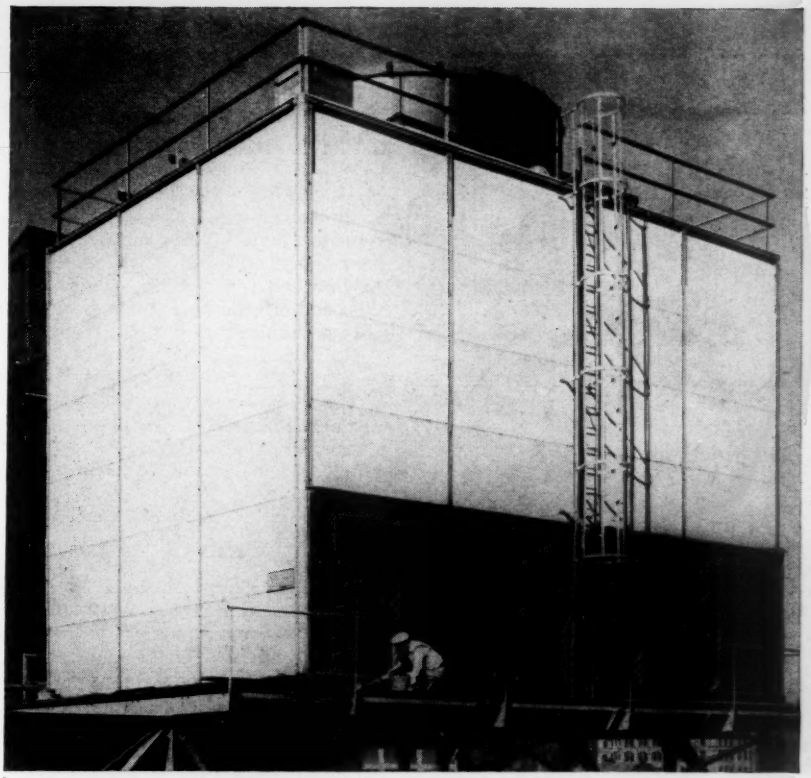
VI

After the close of the Bangkok Conference, I went to Rangoon, where I met with the leaders of Burma.

Burma is one of the countries which has newly won its independence, and the Government and people of that country are determined to maintain it. They feel that they can best do so by avoiding regional security groupings. I know that all of the American people hope that their policy will succeed. Burma's evolution to independence had the strong moral support of our nation, and we want to see that independence preserved.

I talked fully and freely with the President of Burma and with the Prime

(Continued on page 72)



Neoprene coatings save $9,000 in store air conditioning system

Smog and smaze, those two villains of city air, can be a nuisance *inside*, too—particularly in air conditioning systems. Fumes and gases in the air are absorbed by water in cooling towers, such as shown above, and later form highly corrosive sludge in drip pans. The cure for corrosion? Flexible coatings of rugged neoprene, Du Pont's chemical rubber.

That's why the 18 air conditioner drip pans in Lit Brothers' Philadelphia store are coated with neoprene. Other coatings soon cracked with temperature changes, exposing the pans to corrosion. Maintenance was faced with total replacement of *all* pans—until they turned to neoprene. Neoprene coatings stayed flexible, resilient and firm. Lit's estimates a service life up to 8 years for these corrosion-resistant coatings and a saving of $9,000 in pan replacements!

Yes, it pays to use neoprene when you need a resilient material. If you use rubber parts in the products you make, neoprene adds exclusive sales advantages. And for use in the plant, neoprene products can cut your operating costs. Remember, neoprene shrugs off sunlight, weathering, oil, grease, chemicals—won't support combustion. Read actual case histories of industries that saved by using neoprene. Just clip the coupon below for your copy of our booklet.

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"Operation Brotherhood provides Philippine doctors who work at Indo-Chinese refugee centers" . . .

Minister, U Nu, and with other members of the Government. In this way we each came to a better understanding of the policies of the other. That was worthwhile. As between free nations, there is never the need of total agreement, but there is always the need of mutual respect.

VII

After Burma, I went to Laos, Cambodia and Free Vietnam. These three nations are not themselves members of the Manila Pact, but their territories are covered by the Manila Pact. In each of these countries, I found leaders of great ability and of patriotic dedication to the independence of their country. Also, they well realize the danger to their independence that comes from subversion inspired by international Communism.

I have already spoken of the task, in Laos, of suppressing subversion in two provinces.

In Cambodia, the King—now ex-King—is passionately patriotic. His recent abdication was, I believe, due to a desire to find better ways to help his people to preserve the freedom he so ardently seeks for them.

The greatest problems confront the free Government of Vietnam. It has the task of developing an efficient government of its own in substitution for French rule. This task, difficult enough under any conditions, is now complicated by three abnormal problems.

There is the problem of absorbing and resettling the refugees from the North. As always, when international Communism moves in, those who love liberty move out, if they can. So far, about 600,000 persons have fled from Northern Vietnam, and, before the exodus is over, the number of refugees will probably approach 1 million. It is not easy for Southern Vietnam to absorb these new peoples. They are destitute and penniless persons with only such possessions as they could carry on their backs. They need help.

One dramatic response is Operation Brotherhood. That is privately sponsored by the Philippine Junior Chamber of Commerce. It provides Philippine doctors and nurses who work on a 24-hour-a-day basis at the refugee centers. It is inspiring to see the Philippine people, who only lately achieved their own independence, now turning to help the most recent addition to the ranks of free nations.

A second problem faced by the free Government of Vietnam is created by the fact that various religious groups, known as the "sects," have heretofore had virtual autonomy, maintaining their own police forces, collecting their own taxes and acting largely independently of a central government.

If Vietnam is to maintain its independence and the religious freedom desired by all, including the sects, there needs to be increasing allegiance to the central Government. Reports indicate this allegiance is still not being granted by the sects to the free Government of Vietnam. I hope that motives of patriotism will inspire all groups in Free Vietnam to join together. Only as a united people will they be able to meet the threat of Communism.

The third and greatest problem is, of course, that presented by the Communists in the North. Under the Armistice they should have removed their forces from the South. Instead, many of their soldiers there merely put on civilian clothes and faded into the local community as a source of future trouble. Communist propaganda is rife, and in addition the free people of the South are subjected to the terrorizing threat of armed aggression from the north. As against this, local forces are being trained. But the principal reliance is the Manila Pact and its deterrent power.

In July of this year, conversations are scheduled to begin between South and North looking toward elections in 1956 to unify Vietnam. Under the terms of the Armistice, these elections are to be held under conditions of freedom. There can be little doubt but what most of the people of Vietnam will want to unite under a genuinely independent and democratic government. In the North there is great discontent with Communist despotism. For each one of the many who have actually fled South to find freedom, there are many more who want freedom. Also, economic conditions in the North are deplorable and in many localities there is near starvation.

It will, however, be hard to create in the North conditions which allow genuine freedom of choice.

In Northern Korea and in Eastern Germany the Communists stubbornly refuse to permit the free elections which would bring unification. We hope this pattern will not be repeated by the Communist Vietminh.

I was much impressed by Prime Minister Diem. He is a true patriot, dedicated to independence and to the enjoyment by his people of political and religious freedoms. He now has a program for agricultural reform. If it is effectively executed, it will both assist in the resettlement of the refugees and provide his country with a sounder agricultural system. I am convinced that his

. . . "Philippine Republic: an effective ally"

Government deserves the support which the United States is giving to help to create an efficient, loyal military force and sounder economic conditions.

VIII

I stopped at Manila on both my outgoing and homecoming trips. Both times I talked with President Magsaysay. Whenever I meet him, I am deeply impressed by his grasp of the Communist problem. He has given his full moral support to the anti-Communist position of the United States in Asia. The Philippine Republic is proving itself to be a staunch and an effective ally.

On my return stop at Manila, I spent a day in conference with the United States Ambassadors in the area. United States representatives had come to Manila from 15 countries for a regional conference. We discussed together the policies of the United States in relation to the Asian scene. The Conference continued on after I left, and has been of great value both to those of us who work primarily in Washington and to those who work in the field.

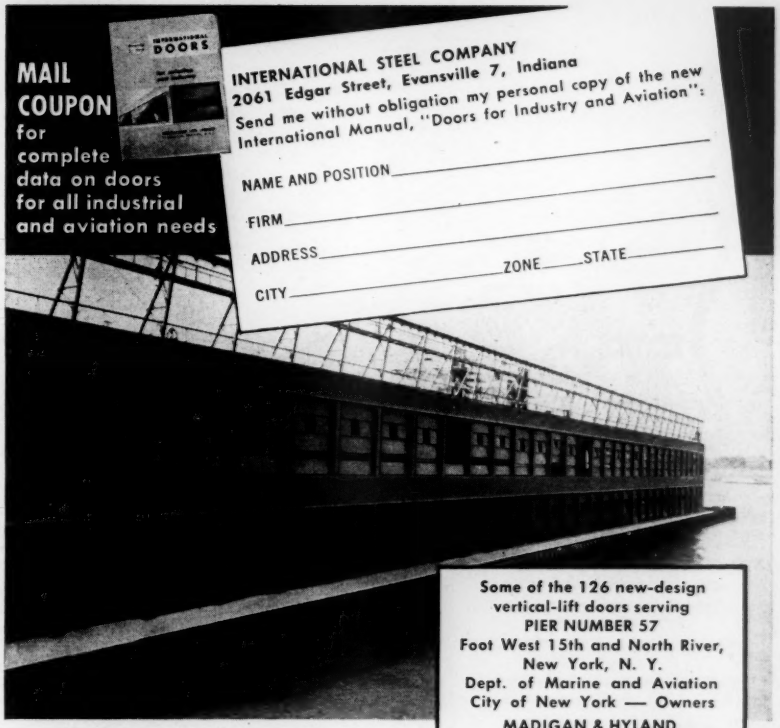
In this connection, I want to pay tribute to the Foreign Service and other representatives of the United States in the area I visited. Oftentimes they work under most difficult physical conditions. They do so without complaint and with a great sense of dedication to the service of our country. They are our first line of defense against an external peril which is perhaps the greatest our nation ever faced. They deserve the respect and thanks of the American people.

IX

My last stop was at Formosa, where I conferred with President Chiang Kai-shek, Foreign Minister George Yeh and other members of the Government. I exchanged there the instruments of ratification which officially brought into force our Mutual Defense Treaty covering Formosa and the Pescadores, or, to use the Chinese names, Taiwan and Penghu. The ceremony was cheered by those who crowded into the room to see it, and by many thousands who lined the streets as I drove by. They saw in the Treaty a significance—also seen by overseas Chinese I met—that so far as the United States can assure it, there will always be a free China.

After the Treaty came into force, we held a first meeting of consultation under Article IV of the Treaty with reference to implementing the Treaty. At this meeting, Admiral Carney, the Chief of

(Continued on page 74)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that adds storage plus protection

Close-up of International-built doors at Pier No. 57. Note "nesting" of leaves when doors are opened — also the protective barrier formed by a 4-ft. section of the lowermost leaves of upper-deck doors.

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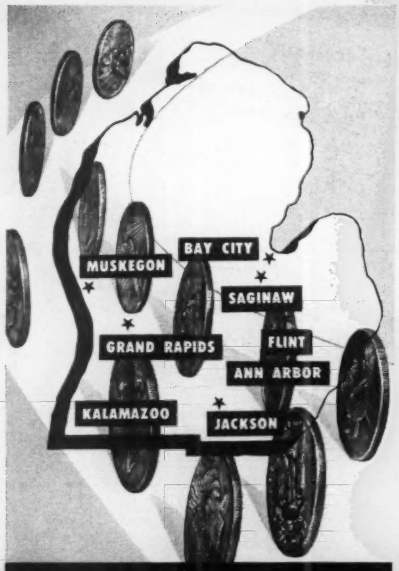

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8 BOOTH Michigan NEWSPAPERS

Grand Rapids Press	Flint Journal
Jackson Citizen Patriot	Saginaw News
Muskegon Chronicle	Bay City Times
Kalamazoo Gazette	Ann Arbor News

. . . "We must make clear: we are prepared to stand firm"

Naval Operations, was present and also Admiral Stump, our Commander in Chief in the Pacific. They remained on after I left for further conferences with the military advisers of the President of the Republic of China.

Let me make it clear that we have here to deal with two distinct matters—first the political decision as to *what* to defend, and then the decision as to *how* to defend.

The political decision of *what* to defend has been taken. It is expressed in the Treaty and also in the law whereby Congress has authorized the President to use the armed forces of the United States in the Formosa area. That decision is to defend Formosa and the Pescadores. However, the law permits a defense which will be flexible and not necessarily confined to a static defense of Formosa and the Pescadores themselves. How to implement this flexible defense of Formosa the President will decide, in the light of his judgment as to the over-all value of certain coastal positions to the defense of Formosa, and the cost of holding these positions. This judgment would take account of consultations provided for by the Mutual Defense Treaty.

We hope that the present military activities of the Chinese Communists are not in fact the first stage of an attack against Formosa and the Pescadores. We hope that a cease-fire may be attainable. We know that friendly nations, on their own responsibility, are seeking to find substance for these hopes. Also, the United Nations is studying the matter in a search for peace. So far these efforts have not been rewarded by any success. The Chinese Communists seem to be determined to try to conquer Formosa.

The response of the United States will have importance both to Formosa itself and to all the Southeast Asia and Pacific countries.

X

I come back from Asia greatly impressed by the spirit and the purpose of the governments and peoples with whom I had contact. They want to preserve their freedom and independence. However, patriotism alone is not enough. Small nations cannot easily be self-confident when they are next door to Communist China. Its almost unlimited manpower would easily dominate, and could quickly engulf, the entire area were it not restrained by the mutual-security structure which has been erected. But that structure will not hold if it be words alone. Essential ingredients are the deterrent power of the United States and our willingness to use that power in response to a military challenge.

The Chinese Communists seem determined to make such a challenge. At the same time they are persistently trying to belittle our power and to throw doubt on our resolution. They boast that in 1950, in Korea, they drove United States forces back from the Yalu and gained a great victory. They boast of their victory over the French Union forces in Indo-China and they misrepresent our non-participation as due to our weakness of will. When we recently helped the Chinese Nationalists to evacuate the Tachens and other coastal islands, the Chinese Communists claimed that this represented great "victories" for them. They continue wrongfully to hold our fliers and other citizens.

In such ways Chinese Communist propaganda portrays the United States as being merely a "paper tiger." It suggests to the small peoples whom they threaten that the United States will always find reasons to fall back when faced by brutal and uncompromising force, and that Communist China is sure to win.

The United States, in the interest of peace, has made great sacrifices and has shown great self-restraint. That is nothing for which we should feel ashamed. Indeed, it is something in which we can take pride. But we must always remember that the free nations of the Western Pacific and Southeast Asia will quickly lose their freedom if they think that our love of peace means peace at any price. We must, if occasion offers, make it clear that we are prepared to stand firm and, if necessary, meet hostile force with the greater force that we possess.

A big step in the right direction was taken by the Congress when, at the President's request, it passed the Joint Resolution which authorized the President actually to *use* the armed forces of the United States for the defense of Formosa and, to the extent the President judges appropriate for that defense, to protect related areas in friendly hands. That nonpartisan action, taken with virtual unanimity, did more than any other recent act to inspire our Asian friends with confidence in us. I believe that their confidence is not misplaced.

We have power that is great. We have a cause that is just. I do not doubt that we have the fortitude to use that power in defense of that just cause.

If that will be manifest, then I believe that peace and freedom will prevail.

Fabric helps boost coal —to power

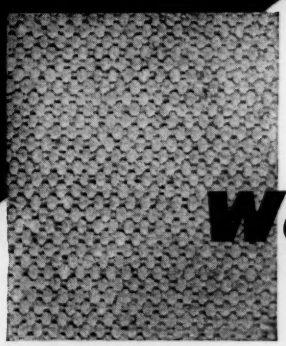
Enclosed Hewitt-Robins conveyor belt at Duke Power Company's Lee Steam Station.

At Lee Steam Station, South Carolina's largest steam-electric generating plant, coal has to travel uphill. A half-million tons yearly are carried a distance of 365 feet on a conveyor belt from a railroad junction to bunkers 82 feet high.

Because of the load and inclination, unusual tension develops in the belt. By using a specially constructed Wellington Sears "Shawmut" belt duck, Hewitt-Robins' engineers designed a 763-foot belt that withstands the tension successfully, performs with outstanding efficiency.

This belting has to be extraordinarily strong and durable. It is—carrying up to 500 tons of coal an hour, 425 feet a minute. Indeed, since stoppage would shut the Station down within a matter of hours, the belt is guaranteed by the manufacturer not to stretch excessively and thereby require re-splicing. It has not. Since installation in 1950, it has run seven days a week without being stopped for repairs.

This belting also conveys a basic idea. Wellington Sears has blue-printed fabrics for industrial progress for over a century. Whatever your fabric need, cotton or synthetic—from belting duck to filter cloth—unparalleled experience and equipment are at your service. Write us for illustrated booklet, "Modern Textiles for Industry."



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Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

NEXT BUILDING BOOM: HIGHWAYS, SCHOOLS

Road and school construction on the scale urged by President Eisenhower would create many new jobs—by some estimates, more than a million.

So these public works are counted on to help with any unemployment in the years ahead.

This article shows how much help could be expected.

The Eisenhower Administration is placing a good deal of stress on public works to keep business strong.

The policy is a bit unexpected. Public works in depression times were derided by many Republicans; they were also regarded by many economists as ineffective for pump priming.

Yet, now, new plans are being promoted by the Government, under Republican leadership, for road and school construction. The President feels, of course, that there are many good reasons for proposing these plans, aside from the creation of jobs.

One result, if Congress approves and all the projects go ahead on schedule, will be the biggest boom in public works in the country's history. People are wondering how effective this vast program will be in creating jobs.

The answer seems to be that the new public works will have only limited usefulness as pump primers, now as before. That conclusion is indicated by studies made by the Labor Department and by the Economic Unit of *U. S. News & World Report.*

Specifically, the federal figures suggest—

If other business stays strong, the big public-works plans will provide many additional jobs for the young people who reach working age each year. But not nearly enough jobs will be created this way to take care of all the applicants.

Public works could be more effective in offsetting a mild slump in private building two or three years hence.

If home building falls sooner than that—say in the next 12 to 18 months—then any public-works plan will be too slow to be very helpful. Workers laid off by the home builders will have to wait quite a while for new jobs to open up in the public field.

How many jobs? The program for doubling road construction in the next 10 years is estimated to require about 280,000 additional construction workers by 1960.

In the full 10-year period, more than 100 billion dollars will be spent, according to federal estimates, compared with less than 50 billion in sight under current programs.

Most of the new jobs will go to machine operators and to semiskilled and unskilled laborers. The Labor Department forecasts 103,500 new jobs on bulldozers, paving machines and other heavy tools, 97,500 new jobs for semiskilled

(Continued on page 78)

386,000 JOBS FROM PUBLIC WORKS

Ike's Plans for Roads and Schools

If Administration schedules for more school and road construction go through—

	NUMBER OF CONSTRUCTION WORKERS		
	ON SCHOOLS	ON ROADS	TOTAL
IN 1954: before new program	145,000	220,000	365,000
IN 1958: peak of new program	336,000	415,000	751,000
IN 1965: end of new program	175,000	321,000	496,000

THUS: The Administration road and school program, at its peak, would create about 386,000 additional jobs for construction workers. ***This could offset a drop of about one fourth in home building.***

Basic Data: Labor Department; estimates by USN&WR Economic Unit

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Ike's program: double school, road building . . .

and unskilled workers, 29,000 for carpenters, 6,500 for steelworkers, 5,500 for cement finishers, 8,000 for mechanics and more than 22,000 for supervisors and white-collar workers.

The new school-building program, now before Congress, also calls for a doubling of the present construction rate, this time in about three years. Spending will increase from about 2.1 billions in 1954 to 4.8 billion in 1957 and 1958, according to Government plans.

The number of additional construction workers to be used in building schools is put at 191,000. Peak employment for them would come in 1957 and 1958.

The Government has not made any breakdown of skills required in additional school construction. Many jobs doubtless will be opened up for machine operators, masons, carpenters, electricians, plumbers and unskilled labor.

Peak employment for roads and schools combined would come in 1958, with a grand total of 751,000, for a gain of 386,000 over the present.

The broad effects. Government officials figure the public-works boom would create at least an equal number of additional jobs in related industries. School and road projects will use large amounts of cement, steel, sand and gravel, machinery, lumber and many other products. Railroads and trucking companies also would be affected.

So, roughly, another 386,000 new jobs might open up among these suppliers. That brings the number of jobs involved to nearly 800,000.

Eventually, the effects will be broader still, rippling through the entire nation, the federal economists say. New roads will open up new areas for shopping centers, homes and industry. Money paid to workers on roads and schools will find its way into stores, beauty parlors and auto showrooms.

Some officials are inclined to figure the total effect of the public-works plan at much more than just the immediate effect on construction alone. By this reasoning, you can get figures of more than a million jobs created.

Broad effects, not jobs alone, are stressed by Government in urging public works. New roads are expected to reduce accidents, encourage travel, cut transportation costs and lead to new industrial development. One argument for improving schools is that the nation will need more trained technicians. Of course, there is no way to foretell economic effects of these benefits.

Timing. As the chart on page 76 indicates, the effect on jobs will be gradual

. . . Full employment not assured by projects

and temporary, unless the Government later comes along with more vast new programs a few years from now.

Full effect of the plans now in the works does not show up until 1958, three years hence. After that, a decline in employment in public works sets in.

Still, the program can do much in the meantime to take care of the additional workers who go looking for jobs each year. Increase in the labor force is now figured at more than 600,000 a year.

In the four years when the public-works plan is expected to create something more than 386,000 new jobs, there will be need for more than 2.4 million positions to take care of young people going into the labor market.

Thus, public works, at best, provide only a partial answer to this need. Any cuts in the program by Congress or States would, of course, reduce the effect.

Aid in recession. The Administration plan is intended also to help the U. S. ride through any dips in home building. The chart gives you some idea of how effective it might be in doing this, considering just the construction workers involved.

A drop of 25 per cent in residential building might cause contractors to lay off upward of 300,000 men. New jobs on roads and schools could take care of them, provided they went looking for work at the right time.

Public works wouldn't help many carpenters, masons or plumbers who got laid off in the near future. The Government programs are estimated to create only 50,000 jobs of all types in the first year and 106,000 in the second year.

Yet many bankers, economists and Government experts feel a dip in home building is quite likely to come within the next year; they don't see how there can be a continuing market or enough mortgage money for all the homes now being built. The construction rate is setting a record, about 1.4 million a year.

A 25 per cent drop in home building would be mild by historical standards; the U. S. still would be building more than a million houses and apartments per year, a pace never equaled before 1949. A drop much sharper than this would not be entirely offset even by the big public-works plans that the Eisenhower Administration is urging.

Thus—at a cost of many billions of dollars—the Government expects to get, in addition to needed schools and roads, many needed jobs. But official studies show full employment can't be bought solely with the programs now proposed.

GOOD RULE TO FOLLOW WHEN BUYING ANY SPECIALIZED MACHINE:
CHOOSE A MAKE WHOSE BUILDER THINKS ENOUGH OF HIS OWN GOOD NAME TO EQUIP HIS PRODUCT WITH
• CONTINENTAL RED SEAL POWER •
Within Continental's range, from two to 1,100-horsepower, it would be hard to name a type of engine-driven product—vehicle, aircraft, boat, or industrial machine—of which one or more of the leading makes do not rely today on Continental power. As might be assumed from the current trend toward greater specialization, the list of such applications is longer than ever before. The field of Red Seal usefulness has broadened to the point where—as this list suggests—there is almost no end to the industrial uses of dependable Continental power.
Air Compressors • Air Conditioners • Backfillers • Balers • Ballast Packers • Batching Plants • Binders • Blowers • Bulldozers • Choppers • Cement Cutters • Concrete Finishers • Concrete Mixers and Pavers • Conveyors • Cranes • Crash Trucks • Crop Dusters • Derricks • Ditchers • Drag Lines • Drill Rigs • Earth Borers • Earth Movers • Electric Welders • Elevators • Ensilage Cutters • Excavators • Fog Generators • Gathering Pumps • Graders • Hay Loaders • Heavy Engine Starters • High Lifts • Hoists • Ice Machinery • Industrial Tractors • Irrigation Pumps • Loaders • Lumber Carriers • Materials Handlers • Mud Pumps • Oil Field Machinery • Pipe Benders • Portable Generators • Rollers • Rock Crushers • Separators • Shovels • Sprayers • Street Flushers • Street Sweepers • Transit Mixers • Vibrators • Warehouse Trucks • Winches
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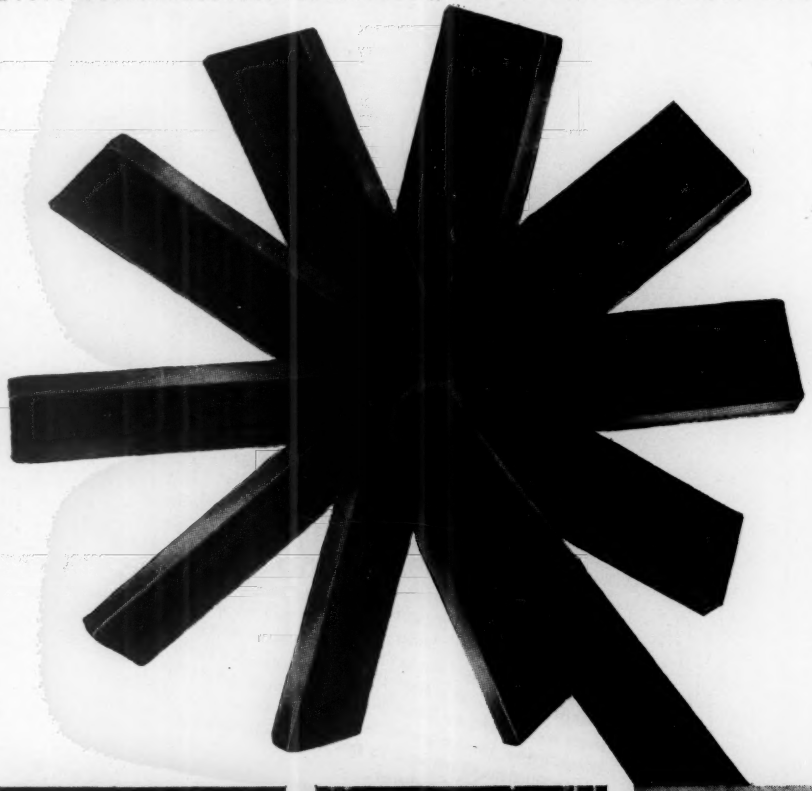
√ Industry wipes out corrosion with Firestone Exon Resins



No trouble with Agitators at the Sylvania Plant

SINCE VYFLEX L-10* STOPPED CORROSION

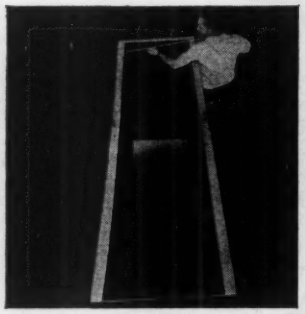
Agitators, six feet in diameter, are employed by the Sylvania Electric Products Company to mix lime as a neutralizing agent into a mixture of sulfuric, nitric, and hydrofluoric acids. Should corrosion from this chemically active mixture cause failure, production will be slowed down due to serious problems in waste acid disposal.

Various coatings applied to the 30" blades deteriorated rapidly. Engineers from International Engineering Company and Sylvania selected VYFLEX L-10 linings 3/16" thick, for its exceptional resistance not only to corrosives but to abrasion. Wise choice. Corrosion has been stopped.

(Installation by Cor-Lin, Inc., Indianapolis, Ind.)

*Product of Kaykor Industries, Inc. Division of Kaye-Tex Mfg. Corp. Yardville, New Jersey

*Vyflex L-10 is made from Exon resins.



Losses and contamination of costly nickel-plating solutions have been eliminated at the Syntron Company, Homer City, Pennsylvania. Large tanks are now fully protected by chemically inert VYFLEX L-10 linings.

(Installation by Castle Rubber Company, Butler, Pa.)

Chromium plating tanks at Auto City Plating Co., Detroit, Mich., are lined inside and out, including pipe outlets, with 3/32" VYFLEX L-10 for protection against highly corrosive plating solutions and splashings.

(Installation by Detroit Rubber Company, Detroit, Michigan)

At the General Electric Company's plant in Allentown, Pennsylvania, equipment such as the filter shown above, which handles corrosive and abrasive nickel-plating solutions, is lined with VYFLEX L-10.

(Installation by Electro-Chemical Engineering and Manufacturing Co., Emmaus, Pa.)

■ **The twin enemies of industrial maintenance** are stopped cold by VYFLEX L-10, a lining of unusual toughness made from the Firestone EXON 900 series resins. Abrasion won't damage it. Corrosion won't destroy it.

And this versatile EXON series is only a small part of the many resins developed by Firestone engineers to abolish corrosion costs. EXON PVC resins are the bases for a wide variety of corrosion-controlling materials. Made into lightweight structural rigids, linings or coatings, these resins differ in properties, each tailored to your specific conditions.

Firestone EXON

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News YOU Can Use ®

IN YOUR PERSONAL PLANNING

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To help people thinking now about foreign travel this summer, we asked our editors abroad to check the outlook. This is what they tell us:

FOREIGN VACATIONS. Look for things to be more crowded than ever. Currently, advance bookings for Europe are 16 per cent ahead of last year, which set a record. This means that if you haven't got your reservations in yet, better move fast. Chances are that even now you may not be able to get exactly what you want, either in transportation space or hotel accommodations. But, if you can avoid the peak June-July season, or your demands are somewhat flexible, you can make out all right. Of course, there's always the possibility of picking up a last-minute cancellation, but that's strictly a gamble.

GOING ABROAD. Here's a country-by-country picture:

Britain--Despite inflation threat, not much price change. Costs in London $10-$30 a day, depending on where you stay and what you see. Best way to tour Britain is by car; rental around $4.20 a day, plus gas at 60 cents a gallon.

France--Most hotels of any European country. Rates $2 to $7 a day for good accommodations. As in other countries, stick to bottled water.

Italy--Figure $20 a day expenses--exclusive of shopping and night clubbing. Prices, though, to match every pocketbook; bargains commonest away from resorts.

Germany--Lodging $1.50 to $10 a day. No advantage in changing dollars before arriving; ditto with currencies elsewhere.

Scandinavia--Accommodations very tight.

Mexico--Prices up somewhat since peso devaluation. Double room in best hotel $10. Food prices below U.S. resort rates. Advance reservations vital.

Japan--Expensive, but increasing in popularity. Western-type hotels scarce.

TRAVEL ODDITIES. You can, if you're interested, also find out-of-the-ordinary vacation offerings. Among them: Shanty-boat cruises in the Caribbean. All-girl safaris to Africa. Arctic expedition to hunt polar bears. Fashion-study tours of Europe. "Flying houseparty" air tours of Caribbean islands.

SOCIAL SECURITY. There's an important deadline to note for people now nearing retirement age who haven't started building toward a Social Security pension. A special provision in the new law is aimed at helping individuals who reach 65 before Oct. 1, 1958, qualify for coverage more easily. Depending on when his birthday falls, such a person can become eligible with as few as six

(over)

quarters--18 months--of work in which earnings are subject to Social Security taxes. But, to qualify under this provision, he must have credit for every quarter between the end of 1954 and his 65th birthday. March 31 is the end of the first calendar quarter in 1955. Thus, by then, he must earn $50 in a job covered by Social Security in order to get credit for the quarter. Or else earn at least $4,200 in the rest of the year. Otherwise the regular rules--requiring a larger number of quarters for eligibility--will apply.

ARTHRITIS. Those promising new arthritis drugs whose discovery we told you about last autumn should be available through your physician shortly. One, metacortandracin, has just been O.K.'d by the Food and Drug Administration and shipments are going to drugstores. The other, metacortandralone, is expected to be out shortly. The drugs have proved to be at least three times as effective as cortisone, and virtually free from side effects. They are taken by mouth. Dosage cost, initially, is expected to be about the same as for cortisone.

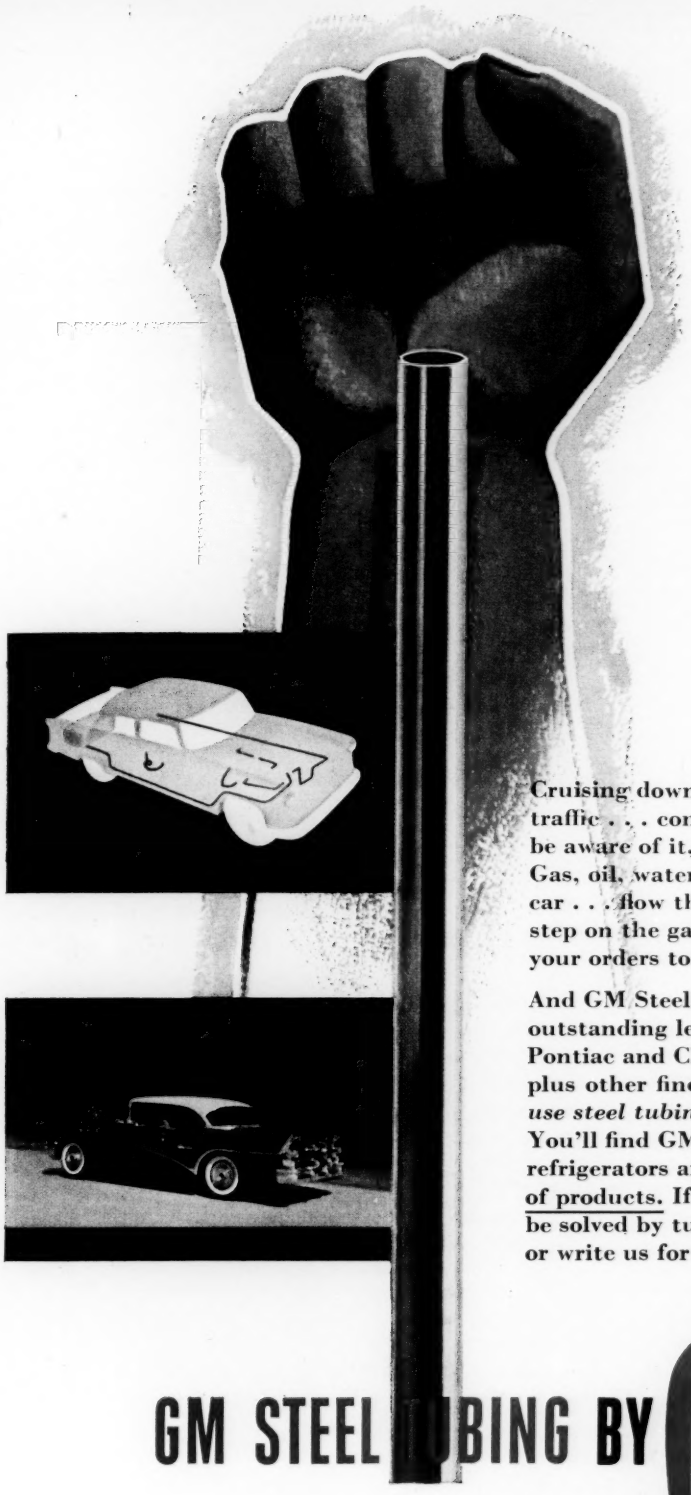
FOOD BUYS. Traditional Easter ham should be plentiful next month, the U.S. Department of Agriculture says. Last autumn's little piggies--16 per cent more numerous than the year before--will be going to market in April at consumer prices somewhat less than last Easter. Other April food buys on the Department's list: Beef. Eggs. Dairy products. Haddock, halibut and shrimp. Canned snap beans. Canned corn. Raisins. Rice.

DEDUCTIONS FOR RESERVISTS. The Internal Revenue Service puts into an official ruling its views on income tax deductions you can claim for expenses involved in membership in the armed forces Reserves. If you itemize deductions, IRS says, you can deduct any cost of purchasing and maintaining your uniform that isn't covered by an allowance you receive for that purpose. Also, within limits, you can deduct nonreimbursed expenses for transportation to drills or meetings you are required to attend.

IRS regards your Reserve membership as being in the nature of a trade or business. People who have two businesses, and go from one to another, can deduct expenses of transportation between them. Thus, says IRS, you can deduct an amount up to that required for going directly from your job to the Reserve meeting place--not necessarily the cost of going from home to the drill site and back.

READING SPEED. How fast should you be able to read? It all depends, says a Yale University reading expert. Fast reading, just for the sake of speed, is like running down the hall of an art gallery glancing from left to right, he adds. Your rate should be determined by the flow of ideas from the printed page, and their complexity. A competent reader, he thinks, should be able to read 300 words a minute--from material of average idea difficulty and which he has average incentive to read.

PURSE SNATCHINGS. Women, concerned over newspaper accounts of purse snatchings and nighttime robberies, get these suggestions from Government crime fighters: Try to keep from having to travel alone. Try to keep on well-lighted streets. Don't carry so much money that its loss would be a real financial hurt. If accosted, hand over the money--don't fight back; a thief angered by retaliation can be far more dangerous than the purse snatcher he started out to be.



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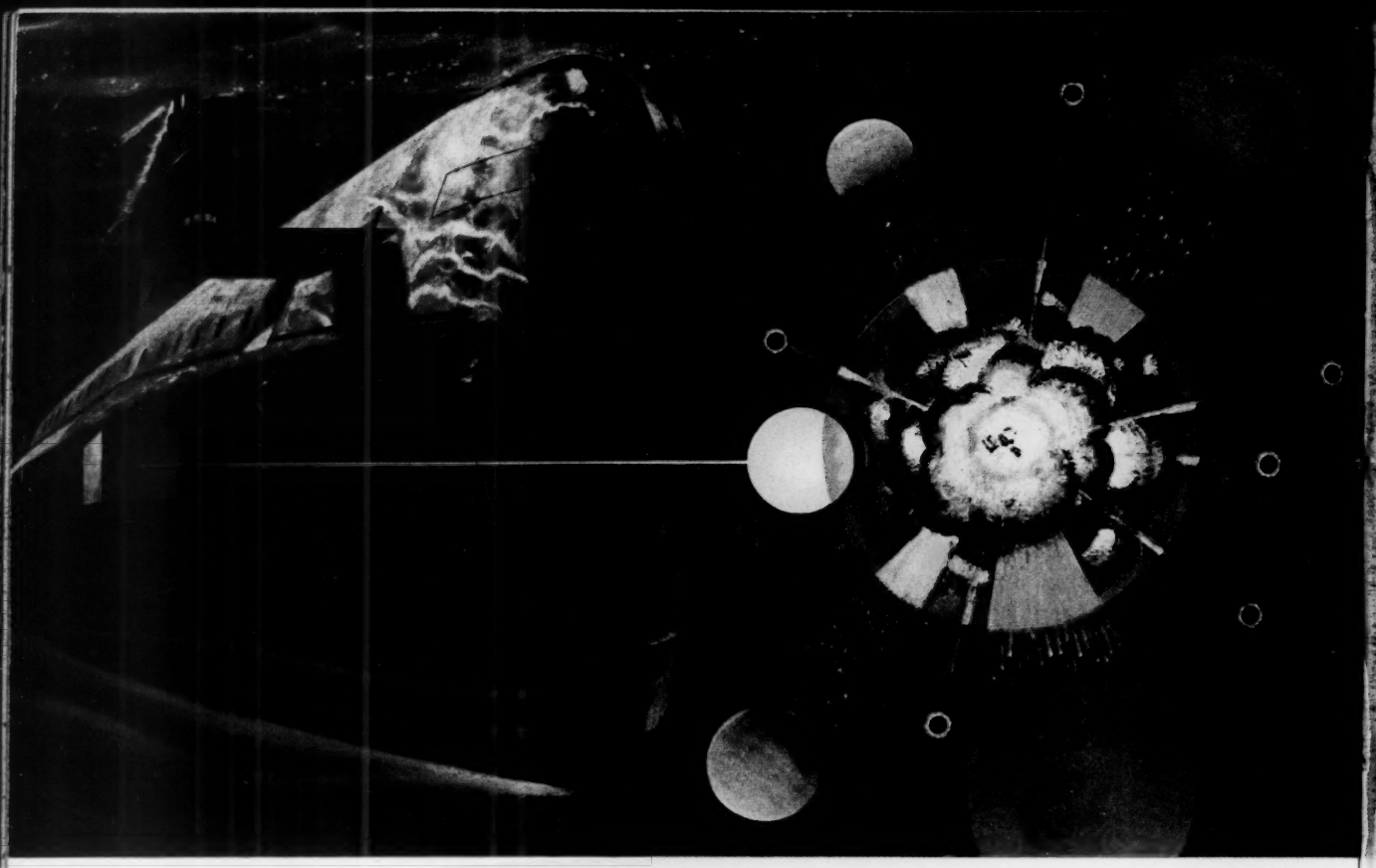

NUCLEAR ENERGY...
for the enterprising...competitive advantages

Industry's role in the wartime development of nuclear energy projects is paying peacetime dividends.

Alert, far-thinking firms are probing exciting new possibilities for the use of this tremendous new tool as a power source, to combat disease, detect impurities, preserve foods and promote chemical reactions.

This is only the beginning. And to those who take the initiative belongs the competitive advantage.

How can nuclear energy be put to work for you?

The first step — talk to engineers whose experience qualifies them to advise you. Blaw-Knox engineers have a breadth of experience on a wide variety of Atomic Energy Commission projects, including: engineering design of the world's first Materials Testing Reactor — engineering of the fuel processing plants for atomic bomb projects and the world's first atomic submarines — engineering of ore processing facilities for uranium production.

Blaw-Knox engineering achievements such as these are increasing productivity and lowering costs in major fields of industry. The list of products and services below is indicative of the broad scope of Blaw-Knox activities.

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Castings: Heavy type steel and alloy castings; high alloy for resistance to extremes of temperature, corrosion, abrasion

Process Equipment: Evaporators, dryers, welded pressure vessels and digesters

Grating: Open steel flooring

Rolls and Rolling Mills, for Steel and Other Metals: Rolling mills, mill drives, shears, special equipment; rolls; open hearth equipment, including water cooled furnace doors, frames, reversing valves, dolomite machines and other auxiliaries

Piping and Sprinkler Systems: Pressure piping and automatic fire protection systems for chemical and power plants, steel mills, oil refineries and for process industries generally

Construction Equipment: Road building black-top and concrete pavers, spreaders, finishers, subgraders, rollers, truck-mixers, road rails and aggregate concrete mixing equipment; heavy forms (for subways, tunnels, dams); clamshell buckets

Towers: Radio, television, microwave, power transmission

Ordnance: Anti-aircraft gun mounts; armor castings for tanks

LIFE AROUND THE WORLD®

memo

FROM THE SAAR

EUROPEAN HOT SPOT

SAARBRÜCKEN—When you first visit this attractive countryside it is hard to remember that the Saar Valley is a major problem for all Europe—and a traditional center of trouble between Germany and France.

But it doesn't take long to discover what makes the place so important.

The Saar is a land of modern cities and industrial centers set down among rolling hills that shelter tiny farms, apple orchards and beech forests. Under these hills are honeycombs of mines that tap coal reserves estimated at 9 billion tons. The coal feeds a Saar steel industry that employs 70,000 people and produced 2.8 million tons of steel last year.

That gets down to the heart of the matter, so far as the French and Germans are concerned. Under the Saar's coal and steel quotas that have been set by the European Coal and Steel Community, France has been assigned 34 per cent of the production in Western Europe—a match for Germany's 35 per cent. But, if France loses the Saar's steel and coal and it goes to Germany, then the French share of Europe's production would skid to 27 per cent, while Germany's would climb to 42 per cent.

French control. The Saar is tied to France through an economic union set up by the Western Allies in 1947 after the area was taken away from Germany. France operates the Saar's coal mines under a 50-year lease and has control of most affairs in the tiny, rich area. Now the French and Germans are trying to get together on a Saar settlement, but it is unpopular in both countries. Germans fear the valley will be lost to them forever. Frenchmen fear that, given its independence, it will return to Germany and upset the industrial balance of power.

Talking things over with the Saarlanders themselves you learn that they consider French-German rivalry over their homeland as Europe's misfortune but their own good luck, right now. The Saar—with a total population less than that of Baltimore, in an area a little smaller than Rhode Island—is very well off by most European standards.

A Saar miner, for example, gets well

(Continued on page 86)

—Black Star

SAARLANDERS SPEAK GERMAN

FRANCE RUNS THE AREA

The people are very well off, by most European standards

QUICK QUIZ FOR INDUSTRY LOCATION

Questions and Answers on Transportation in South Carolina

☐ *Q. What kind of highway system and trucking facilities are available?*

A. South Carolina has a network of 23,911 miles of highway, 16,300 of them paved. By-passes, urban highways and dual lane highways make up many miles of the system, and every large town is served by at least one major highway.

Four hundred motor carriers operate truck lines over the state, and interstate.

☐ *Q. Is there rail and air transportation?*

A. Three major rail systems and seven other lines serve South Carolina with excellent East-West, North-South connections.

Five major airlines connect South Carolina with all parts of the nation.

Eight major cities are served by 91 daily flights of scheduled air carriers.

☐ *Q. What about ocean shipping and port storage?*

A. Direct rail and truck lines serve the port of Charleston and the two lesser ports of Georgetown and Port Royal. 30 steamship lines have regularly scheduled service to more than 100 ports of the world.

Almost a million square feet of tile and concrete storage space is available. Charleston's mechanical cargo loading equipment is the finest in the Southeast.

The South Carolina State Development Board has statistics and other information on South Carolina's eight industrial advantages to you. Write, wire or telephone LD 94 today for information, in confidence without obligation.

Write for "South Carolina on the March" —a survey of the past ten years' progress in the state.

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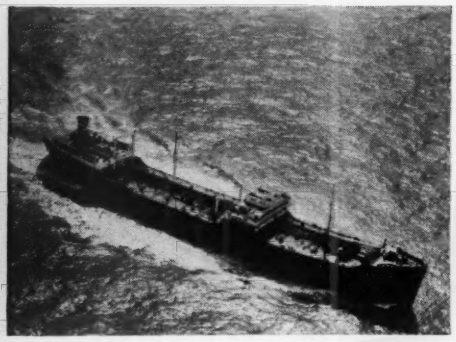
Columbia, S. C.

South Carolina
STATE DEVELOPMENT BOARD

What's going on in NON-FERROUS METALS

...stopping ship corrosion



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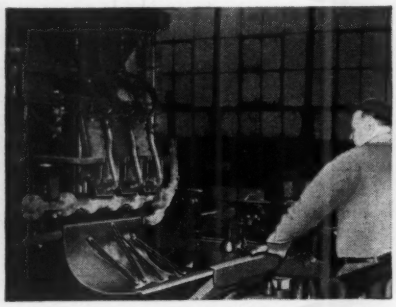
to tighten ridge rope on trailer trucks. This eliminates the cumbersome and heavy iron ridge pole, a long-standing trucker's headache. Weighs less than seven pounds. Cast of Tenzaloy, a Federated-developed high-strength aluminum alloy, by Littlestown Hardware and Foundry Co. for East Akron Ratchet and Mfg. Co. Tenzaloy bulletin on request.



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memo

. . . Working conditions improved in Saar area

over $2,000 a year—high wages in Europe. In terms of purchasing power, that much income enables him to put money aside for a little house and a three-acre plot of ground in the country to which he will retire one day, perhaps to draw a Government pension.

There are more pensioners now than there are people working in the steel mills. The Government claims it spends more per capita for social security than any other government in the world. This is possible, people tell you privately, because the French want to keep Saarlanders happy so they will not think about returning to Germany.

Heavy destruction. Allied bombers literally leveled much of the Saar during World War II. This city, largest in the country, was heavily damaged and much of it destroyed. But, encouraged by the French, the Saar Government's City Planning Commission provided aid for reconstruction which made it possible for private builders to put up some of the sleekest and most modern buildings in today's Europe.

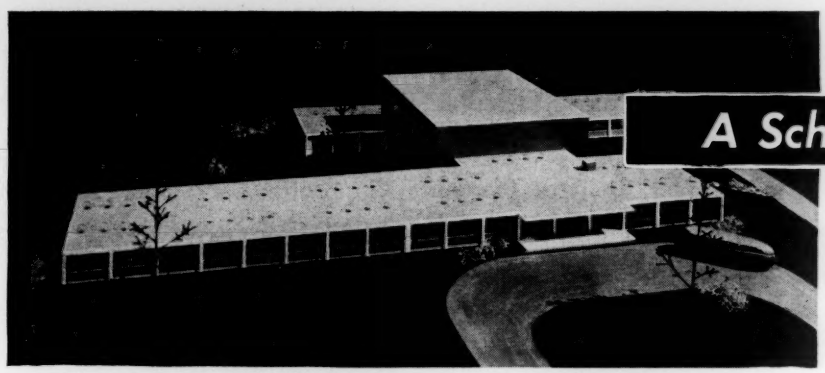
Also, Saar miners work with better machinery and equipment and under better conditions than they did before the war. That's because the French want to get as much Saar coal as possible for their steel mills. More than 20 million dollars has been spent in modernizing and repairing the mines. Working conditions compare favorably with those in the best mines of Europe.

From their mines, the Saarlanders last year produced more than 17 million tons of coal—about a million tons more than the Nazis got out of the Saar under war pressure in 1943.

To most Saar families, the debates in Paris, in Bonn and elsewhere about the future of their valley are matters of international politics conducted on a level far above their daily lives.

German background. The Saarlanders speak German. Their cultural background is German. In 1935, they voted overwhelmingly to join Nazi Germany. Now, however, most of them seem content to stay in an economic union with France.

People tell them that their small country represents the delicate balance of industrial power between France and Germany. That's all right with most Saarlanders. They're not too well informed on such things. What they do know is that they are living very well these days—and they like it that way.

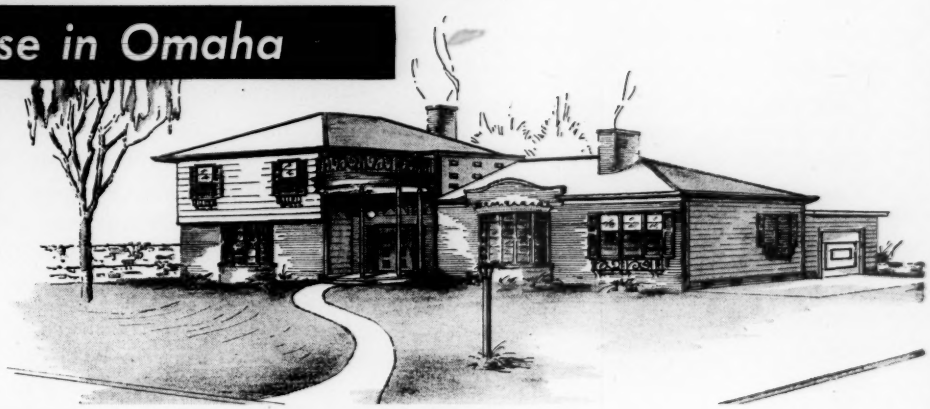


A School in Atlanta

Roswell High School.
Designed for the state school authority by Stevens & Wilkenson
Built by De Give, Dunham & O'Neill, Inc., users of Dodge Reports

A House in Omaha

House designed by Mrs. Frances M. Wilkie, Office of Leslie E. Wilkie, architect.
Built by Andy Johnson & Son, users of Dodge Reports.



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Interview —with ATOMIC-SUBMARINE BUILDER

John Jay Hopkins

President, General Dynamics Corporation

"THE ATOMIC REVOLUTION IS HERE"

When people think of atoms, it is usually with fear. They think only of bombs.

But atoms, says an atomic industrialist, can be a boon to mankind as well as a bane. Atomic power, he predicts, is going to raise living standards all over the world.

John Jay Hopkins, who makes this prediction, is president of General Dynamics Corporation, which built the first atomic submarine.

Atomic power, Mr. Hopkins maintains, is no mere dream of the future. It is here now.

The U. S., in his view, should take the lead in putting it to work. Backward nations can be industrialized—and, he suggests, the U. S. will gain new markets and new friends.

In this interview, held in the conference room of *U. S. News & World Report*, Mr. Hopkins tells how the atom can promote peace instead of war.

Q Mr. Hopkins, you have just built a submarine—

A The *Nautilus*.

Q Powered by an atomic reactor—it generates power from atomic materials?

A That's right.

Q Is this the first commercial use of a reactor, or is this really commercial?

A Well, you might say it is in one sense "commercial." It demonstrates what a reactor can do. It's the same type—although there are a number of different kinds of reactors—that you would build for a commercial installation. It's the first application of atomic power to propulsion—the first that we know of where the heat from a reactor was converted into useful work—into propulsion.

Q Is the advantage that the *Nautilus* will be able to travel submerged almost indefinitely?

A You won't have to refuel, although you may have to do something to the reactor from time to time; but the submarine can travel around the earth, under water, at very high speeds. Because the reactor doesn't need oxygen, it frees you really from the power problem. It gives you an enormously greater amount of power within the same space as you had before with the traditional method of the diesel engine and electric storage batteries.

Q Is the reactor that you built for the submarine going to become practical in industry?

A It would be most practical. This particular submarine reactor may not be the type. This is a small reactor. In a submarine, you need only a limited amount of power. It's a lot greater than any power we've ever had before in a submarine.

For electricity production, however, they're talking about 100,000—or even 200,000 kilowatts. Such a reactor might be as big as a large building.

Q What would this 200,000-kilowatt reactor do?

A It would take care of a city of about 250,000 people. Perhaps more than that. The largest single unit usually put in a major power station today is 150,000 kilowatts.

Q Do you think there is something very significant going on in industrial atomic power throughout the world?

A Oh, by all means. I would say in England and Belgium and France—they have a building started down on the Rhone.

Q But all of that's in an early stage, isn't it?

A No, not in England. A year and a half ago at the National Industrial Conference Board the senior in charge came over from Harwell and showed actual photographs of their atomic installations.

Q Are they ahead of us?

A Yes, in having a program defined 10 years ahead. Now, remember, a reactor is not a weapon except that you use it in a weapon such as a submarine. A reactor is a heat-producing unit.

Q Is this country going to move now more rapidly into the industrial field with atomic energy?

A I think we will be forced to do so.

Q What's holding us back?

A I think there are two factors. One is the lack of general understanding on the part of our public. I thoroughly subscribe to the security that we have had on our weapons. We must still have that, but I think in general it's been thought to be too much of a "hush-hush" subject. You are not supposed to talk about it, like "the birds and the bees," and all that. However, other countries have been engaging in the development of atomic energy too, and they are going on talking about it in a very frank manner. The result is that the American businessman hasn't had too thorough a conception of what it is all about.

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Nuclear Energy "Great Boon to Man" . . . Can Raise Living Standards Abroad . . . U.S. Industry Interested

It isn't because of failure to have information available. I made a speech, "Atoms for Peace," way back last April in Vancouver, and I've been making speeches for about two years now on the use of atomic energy for peaceful purposes.

I have been pleading for not only American industrialists but others to realize that atomic energy is a great boon to mankind, not just a bane. Fire was dangerous, too, when it was first discovered. It was probably considered very destructive until men learned how to strike it from flint when they wanted to, and how to warm their hands over it, and how to extinguish it when they wanted to. How it could be used for cooking came much later. Atomic energy is much the same thing.

Sure, it's dangerous. But we know already how to handle it and control it, and from now on, now that secret has been learned, atomic energy must be harnessed and put to use.

Q Businessmen have to learn how to make money out of it, don't they?

A Absolutely.

Q Can they do that?

A Yes, but you're getting ahead of me. The whole world ought to know about the usefulness of this thing. There's a big philosophy involved. There are a lot of people in this country who are frightened. I think worrying about the use of the H-bomb has affected the whole national psychology. Of course we have to warn people. They have to have all these installations and Civil Defense organizations—Governor Peterson's organization [Federal Civil Defense Administration] has to function.

But there's no reason why people should have that on their minds all the time.

I believe that the beneficent uses of this great power—this God-given fundamental power, what you might almost call God Himself in action—can be explained to people. They can be told how it has the potential of bringing blessings to everybody on this planet. Telling them the creative possibilities in the atom—not just the destructive—might take the edge off some of these worries.

So, two years or so ago we started to make talks about that side of the atom and to get some optimistic philosophy out about it.

The first thing we want to get over to the public is that it is a wonderful thing to have this power and that we should get going on it quickly.

Q Do you think that we are dragging our heels now?

A No, we're not dragging our heels, but I think it's a wonderful thing—a great lift—for instance, when Consolidated Edison of New York comes in and says, "We're going to spend 30 to 40 million dollars on an atomic power plant."

It's not going to be here for a while unless they find cheaper ways of shielding, and so forth. But they should find cheaper, lighter methods of doing all these things. It's still going to be a little uneconomic in certain centers.

(Continued on next page)

THE SUBMARINE NAUTILUS: ". . . can travel around the earth, under water, at very high speeds"

. . . Ahead: "purifying sea water for irrigation by atomic heat"

Now, New York City, of course, brings in a lot of coal and oil. You see it in the barges all the time. I don't know what Consolidated Edison's costs are, but they are anticipating five years from now when costs will be down and we'll be getting more efficient production in all of these things. Then they'll be all right. But there are many uses other than to generate electric power, like the marine uses we have been talking about here.

Q Would the British sell atomic reactors commercially in places, for example, like Brazil?

A Oh, sure, they could make them to sell just like you make boilers, or electric motors. Just like Babcock & Wilcox, General Electric and Westinghouse.

Q Is there a demand for that type of thing today?

A I certainly think there will be—and soon.

POWER FOR JAPAN, INDIA—

Q There's a lot of interest in it?

A Yes. I'd say that, so far as we are concerned, we are faced with what I call "the paradox of the world markets." You see, in the United States electricity is available to us at 4 to 7 mills per kilowatt-hour. Now, that's guaranteed power. We've got all the coal and oil we want, although we import a little oil—the Independent Oil Marketing Association says we're importing too much. But here in this country we are already fuel-rich, and we don't need this new atomic fuel very badly, do we?

All right. But now to go to Japan, where it costs 20 mills per kilowatt-hour for electricity, and they can't develop much more power from conventional fuels, even water power, on any economic basis.

Then go to a place like India, where they just can't possibly develop even their water power—it's too expensive.

And go to France, where they're building their fourth hydro unit on the Rhone and where they told me last May it was the last—it had gotten too expensive to build any more.

Q What does their electricity cost them?

A I think it is probably around the neighborhood of 12 mills per kilowatt-hour—I know it's about three times more expensive than ours—so it's about 12 to 14 mills. That's the cost, including the installation cost. They are building their last conventional hydroelectric unit now. And when it's through they're not building any more.

I asked the French, "Well, what are you going to do then?"

The headman said, "By then—it will be five years from now—I think we'll have atomic power."

I said, "I think you're right." So that's why France is working on atomic power. They can use it.

Brazil and Italy, too—even Switzerland. The top man in Switzerland told me they have a 4-million population or close to that—probably a little bit more. And they don't see how they can have any more people in Switzerland because they don't have any more power. They have developed their water power about as fully as possible. And economically—if they keep their present standard of living—the population is about the limit that can live there. And now they don't know what to do about it.

Switzerland is very much interested in atomic power because it gives them hope they can supplement their water power and thereby provide jobs for all these mouths that are coming along to be fed.

Therefore, I'm wondering for our country—and this is the paradox I mentioned—if it isn't much more important for us to pay attention to the international development of atomic energy in peacetime and not worry too much about our own installations here except perhaps for experimental purposes, and concentrate on going to Japan, on going to India, Brazil and the other friendly nations. We're working out the know-how here.

We who engineer—and we've done it already, that's why we in America lead in this field—we who engineer and build and manufacture have had better manufacturing facilities and staffs and know-how than any other nation in the world. We can beat England to that and we can beat Germany to that, even. We've done it—that's why our weapons are always more effective. We can do this job better than anyone else—but why do it for ourselves when it does not compete soundly with our present form of power? Why don't we go ahead and do this internationally for others—and that way keep our world markets?

Q You mean do it in co-operation with others?

A Naturally—any foreign nation you could work with. We've had a lot of uranium from Belgium—that would be a logical place. South Africa is furnishing uranium. Canada, for instance—

Q And you would do it from the know-how or technical standpoint?

A Yes. Many nations would look to us. India, for instance, has no manufacturing facilities, but I think India has a pretty good supply of uranium—certainly, thorium.

There would be everything to gain. We would do most of the manufacturing and engineering and furnish most of the know-how. We have the know-how. You can distribute a certain amount of operating know-how wherever you want.

RAISING LEVEL OF LIVING—

Q If they had the atomic power plants they could go on building up their over-all industry there?

A Yes. And that would give them a chance to bring their standards of living up. Of course, the major factor in any standard of living is the degree of industrialization—that is the major factor in keeping peoples from starving.

We think it won't be long before water for irrigation purposes is created through the application of atomic heat—I mean the purification of saline waters, of sea waters.

The industrial atom will affect agriculture, it will affect medicine. And with that, I think, generally—I'd give it a period of years, 50 years or so—I think you will begin to get the standards of living up all over the world. You will begin to get all these mouths fed. What is it Gandhi said? "To the millions who have to go without two meals a day, the only acceptable form in which God dare appear is food."

If we could only get a few grains of rice to eat a day, and had to wonder where the next meal was coming from, we would be most unhappy, I think. And the terrible danger, of course, is that some other nation may get the idea and for imperialistic purposes appear to Asia's billion people as "God."

Q Will the atomic reactors abroad ever be able to furnish power as cheaply as the 4 to 7 mills per kilowatt-hour that we have in America?

A That's an engineer's problem, and we've had to do some

. . . "Atomic energy can substitute for solid or liquid fuels"

guessing over a period of years. There will be new discoveries. It's like the beginnings of steam, the applications of fire and of electricity. Just think what we've done in electricity! There have been vast developments since 1880.

In the last 10 years you've seen the coming of television. I easily remember when we had the old-fashioned-type telephone, the Alexander Bell type. Look at all the changes that have occurred in your telephone since then. Now the same thing is going to happen in this atomic field. Even in the basic science of the field there are going to be tremendous developments and discoveries beyond our imaginations to predict.

Q Aren't there places where power can be produced cheaper with atomic energy?

A Oh, yes. I would say so. And places we are especially interested in such as Thule, in Greenland, where you have no wood, coal or oil.

Q You would need a portable reactor, then?

A Yes. I hope they will hurry it up.

Q There isn't any reason why we shouldn't work along and hurry up our development in power, is there?

A There is every reason why we should do all we can to develop reactors for submarines, and so forth.

Q For automobiles and railroads, too?

A Yes, it would be feasible, although the automobile presents a number of problems.

END OF "HUSH-HUSH" ERA—

Q Is industry interested?

A Yes, more and more so. When I talked to the members of the Economic Club of New York just last April, I had many men, heads of great corporations and others, question me because they're vitally interested and need to know more. And I've noticed now in meetings of the Atomic Industrial Forum and the National Industrial Conference Board more and more businessmen are attending—as many as half a dozen from a corporation. The Conference Board is starting up another five-day conference, now. The University of Michigan is having one. They are very widely attended now by representatives of various industries that may be affected by it.

Corporate interest in industrial atomic energy has snowballed in the last two years from little or no understanding. Yet so many—we've been watching this, remember, since back in 1947—so many have thought it was one of those "hush-hush" things, something you couldn't even dream about using in any way, that they have had no conception of the controls that have been taken from around it in the last five years.

But I think these inhibitions and this timidity are disappearing very rapidly, though you still find it. And there is a natural lethargy, I find, on the part of certain segments of our industry. It's not especially true in companies where you have great leaders such as Mr. Sloan [board chairman] of General Motors, or Bill Price [president] of Westinghouse, Ralph Cordiner [president] of General Electric and other leaders who are restless and don't let grass grow under their feet—who are always alert and onto new developments. But there are a number of companies which are lethargic—they're making some rapid-turnover consumer items and they can't see anything in it for them. They just hope that nobody will drop an atomic bomb on their plants.

Q Do you find any coal or oil people enthusiastic about atomic power?

A Segments of the oil industry are enthusiastically interested now. They know that if they get into atomic research, they're bound to get a lot of short cuts in their refining methods. I know they're going to do it in chemistry. Dow Chemical and all the big chemical companies, Monsanto, the rest of them—they've been after this for three or four years. They saw it right away. I know they're going to get it. And oil is nothing but chemistry, this refining of oil. In fact the new chemical business is run on molecular and atomic research.

Q That seems to be the biggest part?

A Certainly it is. Gene Holman of Esso [board chairman, Standard Oil Company (New Jersey)] bought himself some cobalt the other day—irradiated cobalt. He bought all he could—32 pounds of it, or something like that. They've got a $250,000 building for research in possible atomic approach in oil refining.

ATOM VS. COAL AND OIL—

Q What about coal?

A Atomic energy can be used as a substitute for either the solid fuels or the liquid fuels. I think we ought to be careful in using the liquid fuels. We're using them very prodigally. In one way we ought to hold back on it. I don't know how many hundreds of years—100 or 200 years—the supply will last. Liquid fuel is easily packaged. It's easily carried. It has a great many advantages you will never get out of a reactor, which is heavy and has to be more or less stationary.

Well, we've got a portable reactor, too, but it's not like carrying liquids around. And solid fuels for coking, and so forth—I don't think there is any substitute for making steel with coke, and so on. I can't see that it is possibly going to interfere with either the liquid or solid fuel business at all.

Q Every once in a while you hear it said that power from the reactor would not be practical unless you make and sell by-products for the bomb—would you go into that?

A That is more of a question for an engineer and a scientist, but I believe reactors can be practical—profitable, that is—without producing plutonium or bomb material.

Such comments on practicality would probably be valid if you were starting out just for commercial power. It is questionable whether you would ever have been able to sell people on affording an Oak Ridge for commercial purposes, let's say. Nevertheless, today we've got such plants, and they're capable of turning out the kind of fuel that you need for commercial reactors.

Q In the future, though, unless you maintain these plants to make the material for the bomb, would you have the material for the industrial use of the reactor?

A Yes. You would have to create them if you didn't have them. You might hope to find another process, but it would be pretty much of a job. But they don't need to be used primarily for destructive weapons. In an era of peace they could supply the materials for a new world. Atomic bombs, you know, can be turned into peaceful objects.

Q Is the supply of uranium a problem any more?

A They are finding more and more of it all the time. Of course, there is a big drive down in New Mexico now and I understand Texas is looking for it. As for high-grade uranium,

(Continued on next page)

. . . "Help friendly nations with American know-how"

Czechoslovakia has a big, high-grade deposit. There are very large deposits of a fair grade, just fair, though, in South Africa in the gold mining. They've taken these tailings that are up on the surface and they're readily available. There is quite a lot of it there.

In the Belgian Congo I believe there is the richest deposit. Canada has made some important discoveries in the Great Slave Lake area, and so forth. There just seems to be quite a bit of it around. The Atomic Energy Commission has painted a much more promising picture of the supply.

Q So if industry wants to go in, it can go in?

A Five years ago they were very much worried about the supply. But I suspect some of their optimism now arises from the fact that thorium and some of the other elements, perhaps one or two of the other elements, will show them the way not to use too much uranium.

WORLD WAR'S SOLE BOON—

Q When will the taxpayers start getting some money back from this deal?

A Well, it's probably the only blessing that came out of World War II—the fact that we've got atomic energy. I suppose you would have to look at the cost and repayment potential over a period of 50 years or so. There are a number of blessings that can come out of it and probably will. Some have come out already.

On December 1 last, I proposed an international atomic lend-lease plan whereby we would help finance the implantation of atomic reactors in power-short countries all over the world—countries friendly to us, of course. Japan reacted very strongly to the idea. They need atomic power very badly. They want desperately to get started. About 10 days or two weeks after the speech had been printed on the front pages of Japanese papers, the Russians announced a plan to give industrial reactors to their satellites.

Q How about our Government? Are you getting any response?

A Well, before I accepted the invitation to Japan we checked with the State Department. They know all about it. We also talked with other Government agencies, and they are very much interested. They want to get around to the psychological approach and they need to get across to the world the blessing that atomic energy could really be. You know, we are unpopular in some parts of the world. There are many reasons, some of which, of course, are not fair to us. I've always found when I loaned money to a friend and he wasn't able to pay it back I lost a friend. I think we lose our friends by a lot of our activities.

My thesis is to help friendly nations with American know-how, with reactors of the research type and perhaps the portable ones later on; to help them develop the power they need so badly and that we don't need so badly. They could pay us back, of course. Many are so anxious to get it that payment isn't too much of a question.

Q What would it cost?

A We figured about $250 a kilowatt, and that's probably around the maximum to build a commercial reactor. For instance, you could start with an experimental reactor for around 1.5 or 2 million dollars—that's what these college experimentals are costing. If you go to a portable at 2 or 2.5 million dollars you wouldn't get a great deal of power, but at least you'd get a great deal of know-how of these things. Then later you can go into the larger sized reactors. There are plans under way for 10,000, 20,000 and up to 200,000 kilowatts.

Now that's a problem: It would be three or four times more expensive than steam plant of an orthodox type and it might run up to about 25 million dollars or thereabouts to build such a reactor now. Later on it would be developed, of course, into a greater reactor but the power cost will be much cheaper. It could mean that a 25-million-dollar installation might take care of a city of several hundred thousand people.

You could really develop Japan's present electrical power if you put in, say, 12 reactors costing around 25 million dollars apiece. It would strike off the natural limits on their power supply, and let them use their manpower—they're getting more people all the time. That's one of the big worries—they're getting up to 90 million people. They can live on that island provided they get jobs. They can bring in their food and raw materials, and a boundless supply of nuclear power would let them export their skills and labor without limit. I don't know what we're going to do about it, but Japan's our problem and we've got to get busy solving it.

Q Well, what you suggest would cost 300 million dollars. And we've already given them much more than that—

A Oh, yes, we've given them 2.5 billions already. And this wouldn't be done all at once. This would be over a period of 20 years.

Q And you could go to a country like Brazil—

A Sure, and get them started. But what we ought to do right away is to get this operating know-how started. We've got to get a lot of youngsters in engineering schools. This thing is highly complex, and these operators have to know what they are doing. It's going to take 10 years to do that in a country like Brazil. And the thing to do is to start with an experimental reactor right away. There are probably about 10 or 15 universities all with experimental reactors, and our boys are all learning. Well, that's good, because our boys have got to go and show these Brazilians and Italians the know-how.

"ECONOMIC REVOLUTION"—

Q We ought to build up our skills, then?

A Yes, sure. We ought to create all the skills because we've got to export those skills sometime—I mean temporarily lend them. There is really a tremendous economic revolution involved. And we've got to look at it as much more of a revolution than the industrial revolution was, because you are dealing with many more hundreds of millions of people. You had a handful of people to deal with in the old days of the industrial revolution. Now you have a really serious situation.

Q The atomic revolution is here, then?

A Yes. I want to emphasize this, too, since we're in this field: President Eisenhower did a very fine thing when he appeared before the U. N. and made a great speech and said: Here, now, we'd like to all get together, all of us, including Russia, because they are members of the U. N., and we will talk this [atomic-energy] thing over and get something started. That was his proposal. Russia tried to put it in the Security Council so they would have a veto—you know all the history—trying to hamstring it and handicap it right away. But they finally got a meeting set up for next August, and they're going to do some talking about it.

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A New England Mutual Agent answers some questions about

advantages of buying life insurance with corporate dollars

HUNDREDS OF NEW ENGLAND MUTUAL agents specialize in business life insurance. One of these is Harry W. Castleman, CLU, of Louisville, Kentucky. Much of Mr. Castleman's work is with clients' attorneys, trust officers and accountants on deferred compensation systems and business and estate insurance. Want to know more about life insurance for *your* business? Just talk to one of our New England Mutual men.

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. . . "Practical reactor in England within a year or two"

I don't see why the United States—this is my approach—has to sit around and wait for the United Nations to do a lot of talking and maybe someday acting on it. Because to me it's a pure American industrialist's plan and program. Why not just have the Government let us go ahead and start pushing it? They are not holding back—the AEC has been very forward-looking and there are no complaints to make from my point of view. We're used to working with men like Admiral Rickover [director, Nuclear Power Division, Bureau of Ships, U. S. Navy, and chief, naval reactors branch, Division of Reactor Development, AEC] and others, and they've been good training for a lot of our fellows. We've got to get things done today, not tomorrow.

Q What's holding us back?

A Just a natural lethargy, as far as I can see. There's enough extra fuel that we don't need for weapons. There certainly is a lot of know-how around—and there are certainly a lot of manufacturing facilities and a lot of great companies interested, like Westinghouse, G-E, Babcock & Wilcox, Dow Chemical—I could name any number. And we're very much interested.

But if we did that with just one country—Japan or India, for instance, or one of your Southeast Asian countries where additional power is logical—and said, "Here, we are going to help you"—that would make more friends for us around the world. That would make friends in places where we have no friends at all.

RUSSIA STEPS IN—

Q Which is an investment of only 25 million dollars?

A That's exactly it. It's not only the cheapest thing, it's a wonderful psychological thing. And let's do it—not just talk about it in the U. N. I had no more made a speech involving this program than within two weeks Moscow announced that they were going to give Czechoslovakia and Poland some reactors. There is a tremendous psychological weapon involved here.

Q If you were to get to work right away, how long would it be before you had a power plant going?

A Of course Duquesne Light Company expect their reactor to be completed by Westinghouse about two or three years from now.

Q The experimentals would take less time than that?

A Oh, yes, there are a lot of experimentals already.

Q And you could take one of those to those countries?

A Pick out any one you want—Brazil, Peru—we have the reactor. Now, there is a certain security problem, but security problems are not very great in the commercial field. They are very great in the weapons field. There are lots of things that have to be kept secret in the weapons field. But our people don't see why you can't classify it in the so-called "gray" areas, or one of the light-gray areas. I don't think there is much problem. Because, what's the answer, anyhow? If we don't do it, England's going to, or Russia is going to and it won't be long.

Q It won't be long?

A No, I expect England will move pretty soon.

Q What do you think they will do?

A They will probably have a practical reactor for commercial purposes at Harwell, in England, within a year or two. They are a year or so ahead of us. They started two or three years before we did.

Q You mean they will be ready to export?

A Oh, that will come along later, but they will have this all demonstrated. And what is it from then on? It's just a duplication. You build an automobile and you can always take it apart and lay out all the parts and make yourself a million of them.

Q They can show a customer a reactor from which they can make others?

A Yes, and they will know a lot about their costs, too, in building it.

Q How long would it take to lay down an experimental reactor?

A We've got experimentals all around the place. There are five involved in the current pilot programs of the AEC. They are the smaller ones.

"MIGHT PREVENT WAR"—

Q It wouldn't take very long to build Brazil one, for instance?

A Oh, no.

But even the announcement that they were going to get it would be a big help. I have had a definite philosophy about all these things for a long time, and I've had a definite interest in getting this thing pushed internationally. Another great advantage is not only that it might prevent another war, but win ourselves friends, such as India.

The essence of the whole thing is that in the next 25, 30 or 40 years we might need a lot of those friends. We haven't got too much uranium of our own. We are fortunate in having a very friendly nation in Canada, which has lots of uranium, but Canada will find uses for that uranium—it can be sold to others. And it might not be so easy to tie up Belgium once they get into this thing. They may decide to sell that uranium in South Africa or somewhere else. And we haven't got this big continental supply of our own, such as we have even in the oil business. Or the atomic fuel of the future may be thorium, or some other element we haven't got. Where would we stand then?

We better begin to think about some of the friends we need around the world. Our population growth is enormous. I don't know what it will be in 1975, but it is enormous—and it is getting awfully costly to live in this country of ours, and other standards of living are going to come up so we can't sit here and figure we're always going to have it this good. I think if we have some friends around the world with strategic fuels and raw materials it would be very helpful and convenient. I think we ought to make it evident around the world that we're not selfish about this great discovery.

As a matter of fact, basically, atomic energy owes its development to people of a number of nationalities. For instance, Becquerel, a Frenchman; Rutherford, an Englishman; Einstein, a German; Bohr, a Scandinavian; Fermi, who happened to be an Italian; Ernest Lawrence, an American, and many others. So I don't think we should take a selfish attitude about this.

Now, we know nobody is saying, "Let's keep all this for ourselves," but the effect is the same.

We should make the point that we are so power-rich in cheap power that we do not immediately need atomic development in our country. But other countries do. It would be

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Little wonder newspapers all over the nation are going for the "Dairy Food Festival". A plus business of 123,000 lines of advertising was chalked up in Wisconsin from October 1 through 9. And that does not include retail grocery advertising, which fattened during the dairy sales drive too.

Iowa newspapers took up the idea. So did Michigan, South Dakota, Minnesota. Other states are laying plans for similar campaigns.

Impetus behind this extra business drive is the American Dairy Association, which provides the tools for such successful merchandising events—ad mats, editorial copy, in-store posters and a volume of sales-stimulating ideas.

June Dairy Month merchandising plans are now ready. Newspapers, like America's dairy farmers, can help themselves by participating.

This message is paid for by dairy farmers across the nation as part of their program to show how you can live better with foods made from milk

AMERICAN DAIRY ASSOCIATION

20 North Wacker Drive · Chicago 6, Illinois

America's Dairy Industry is on the road to sales

. . . AEC experience: "it is the safest industry in the world"

a wonderful thing to help other countries, particularly the friends of ours, and through that probably to undertake the best method of preventing another war.

It's a marvelous psychological approach against Communism, if we only don't wait until Communism has made the offer. Other countries are waiting to see what we will do. You can make an offer, but if you can't make good on it—they catch on to that one, too. I don't know what Russia is going to do. But they said they were going to give Czechoslovakia and Poland those reactors. And they've got to make good on whatever they promise. And, then, just out of our own self-interest, the last point is that maybe we will need these friends someday very much, not in your lifetime or mine, perhaps, maybe not in 50 years, 75 years. But someday.

ATOMIC PLANE? SECRET—

Q What is the status of the atomic airplane?

A I'm rather under wraps on that. The Air Force keeps us under very strict orders about it. All that is known is that we are working on it at our Fort Worth plant. I believe at Boeing they have in the last year or so had a study contract. General Electric and Pratt & Whitney are working on it, too.

Q It would be a big plane?

A Obviously, it would involve a large ship. A B-36 weighs 230 tons, that's 460,000 pounds. So we're used to building big ships.

Q Is that big enough?

A I don't consider the size of the plane to be a seriously limiting factor. It depends on the size of the reactors needed to furnish the power you wanted.

An engineer wrote me the other day—he is a man whose opinions I would listen to—and he said, "You're giving everybody the benefit of the doubt when you speak of these costs." He thinks that in five to 10 years we'll know how to get electricity direct from the reactor.

Q Do you believe that they might be able to?

A It's conceivable. I must say that it seems a long way off.

Q Lighter shielding is a major problem, isn't it?

A Yes. And it's being worked on in a number of places. Somebody is going to come up with it. We don't know, because we probably don't yet know all the elements in the world.

Q Some companies have complained about the patent regulations, haven't they?

A Yes. In the early days it was natural for the Government to hold on to all those things. In order to encourage industry they will tend to lighten up on that. I think there is enough sentiment in Congress for free enterprise to bring that about. You start with one of the world's greatest monopolies—the patent monopoly of the AEC. But, of course, it had to be that way for security reasons. Now you can't expect to change that all over and make it a practical situation all at once.

Q Can't industry get patents now?

A Yes, but important inventions are subject to compulsory licensing, and there are other serious limitations.

I think the patent situation will work itself out and become normal after a time, and get more and more into the commercial aspects.

Q Another thing they talk about is insurance—

A Well, that is quite a problem, too. We struck that. Of course, the Government has been, in effect, taking its own insurance in places like Hanford [Wash.] and wherever our men work, but when we were going to bring a reactor in in order to put it in the *Nautilus* hull, one of our insurance companies, a major one, served us notice right away that they would cancel all of our insurance if we brought the reactor into the yard. It had us running around in circles for a while.

Q How is that problem going to be overcome?

A Well, they will have to get used to it. You're always going to have insurance. You have fire insurance, and I think you're more apt to have fires than you are to have trouble with atomic reactors.

Q Is the insurance problem the fact that they don't have any way to figure out what their risk might be?

A Yes.

Q Will they in time get some actuarial dâta?

A Unquestionably they will get the data. I think the problem will be recognized for what it is—it's practically nonexistent. The actual experience of the Commission has been that it is the safest industry in the world, but insurance-companies are worried about it because of the potential. And, if the Government is willing to pick up at least part of the potential, I think the insurance-company people will step right in. I believe that is the way it will work out. Have you ever seen them handle these radioactive materials behind lead barriers?

Q No—

A Well, it is all remote. You can see what they are doing, but they use this remote machinery to pick the stuff up and carry it over from one place to another. And the thickness of the lead glass they work behind depends upon the radioactivity of the materials they are handling. There is always a Geiger counter around, so nothing could happen but what machines would start ringing bells. Everything is marked "Do Not Touch," and a fellow would have to be very dumb to get caught—most of them around know what the penalties are.

PROFITS FROM WASTE—

Q Once you get a lot of these reactors industrially, what will be the problem of the disposal of the radioactive waste?

A There will be companies set up for that purpose. I think the Government has the right to the waste fuels.

Q Isn't there a problem of disposing of the other wastes?

A I think most of it will be very useful in the form of isotopes and such. It's a development problem. It's a reclaimable waste. It is true that a few years ago they didn't know what to do with it. They tried to bury some of it.

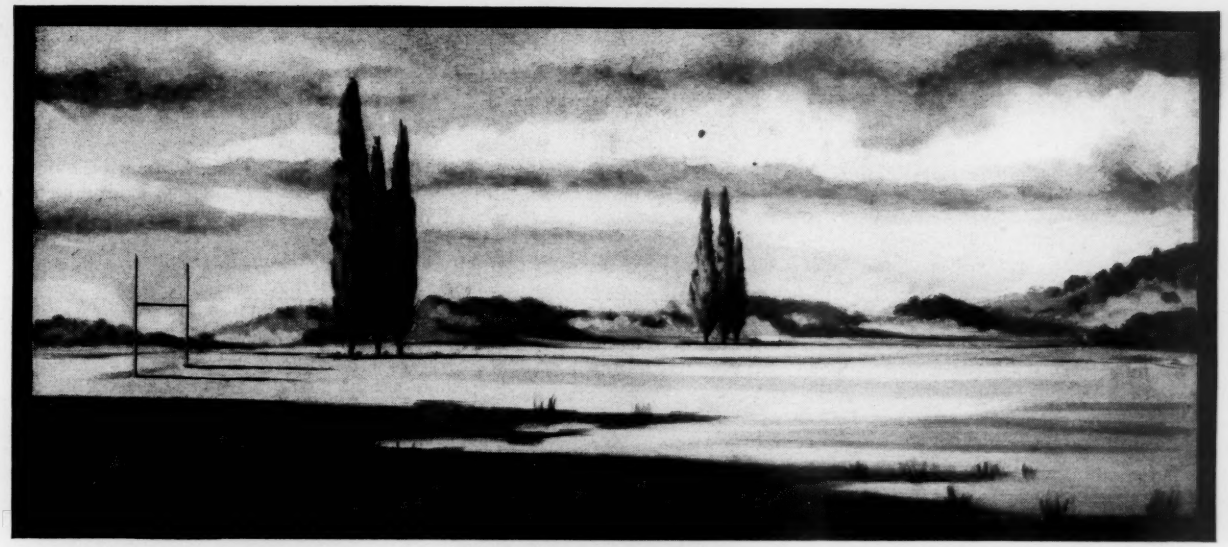
Q Haven't they had a lot of trouble getting rid of a lot of this stuff?

A There hasn't been a lot of effort put on that problem—they've just begun to face up to it in the last two years. I think they know where to put most of it, but my prediction would be that probably someday they will go back and get it and use it for something else. It's still valuable.

Q What about the cost of building the *Nautilus*—is it higher than it might be someday?

A The original cost is, of course, higher. You see, the *Nautilus* is the first of its type. If you build just one of an item, you have all your research, development and experimental costs in the one craft—not spread out over several. But if two or three or four are ordered, you make great over-all savings because you can build two or three or four of a thing at once.

(Continued on page 98)



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Cuts costs, too. Artificial lighting isn't needed so much. Less wall area to paint and maintain. Lower construction costs. In cold climates your daylight walls should be *Thermopane*® insulating glass for maximum comfort and heating economy. Please write for your free copy of "How to Get Nature-Quality Light for School Children". Dept. 4835, Libbey·Owens·Ford Glass Company, 608 Madison Ave., Toledo 3, Ohio.

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. . . An atomic-powered aircraft carrier? "Most feasible"

Q Aren't you the only makers of submarines?

A No. The Navy Yard at Portsmouth, N. H., is a submarine builder as is Mare Island Navy Yard, at San Francisco, Calif.

Q But they haven't built an atomic submarine as yet, have they?

A No. But Portsmouth has been designated for one.

Q You haven't standardized on an atomic power plant, have you?

A Well, we're using two different types of reactors now. The *Nautilus* has one. The *Sea Wolf* [another submarine] has a different kind. For one thing, it uses circulating liquid metal in the heat transfer rather than pressurized water. We all have confidence that we'll find out what, ultimately, is the least expensive to operate and the most satisfactory. I suppose there'll be two or three more different types. The Navy, the AEC, industry—all of us on the team—see the real strategic value of the submarine.

SUBMARINE STRATEGY—

Q The combat submarine?

A Yes—the high-speed atomic attack submarine, of course. But the submarine, you know, can be used also for many different military applications, such as underwater transport of a strategic type.

You probably can't transport large cargoes under water economically or cheaply. I don't claim that. But during wartime it is highly desirable to have underwater tankers or underwater freighters. So, even though Russia may not have a lot of surface ships to attack with—and she may not have any supply lines which we can attack—nevertheless there's tactical value to an underwater approach.

Q Would it ever be possible to convert the fleet-type submarine into an atomic-type submarine?

A Well, almost anything is possible nowadays, but you have to consider that the atomic submarine is built for very high sustained speeds under water. The hull shape is a lot different from a conventional submarine.

Q What about Arco?

A You mean the plant out in Idaho—

Q Is that a large reactor?

A Well, they have several different things out there. It would be an interesting place to get to if you could get in. It's a testing area, largely. Out there we erected—with the Atomic Energy Commission, the Navy and Westinghouse—the so-called "submarine in the desert." It has the portion of the submarine hull that houses the reactor, the two major units—the power unit and the propulsion unit. It has been working out there now a year and a half, two years.

Q It has been working successfully all that time?

A Yes. By this means the Navy and the AEC knew a long time ago, long before we completed the *Nautilus*, that the machinery was perfect and worked perfectly. We had no doubts.

Naturally, they weren't going to spend millions of dollars building something that they weren't sure would work. So, this land-based submarine and its reactor proved everything. They even calculated that it could run successfully under the Atlantic to Europe—even around the world.

Q What about the operating cost of the *Nautilus?*

A Operating costs of the *Nautilus* will be determined by the Navy after extensive running of the boat. You must remember, however, the *Nautilus* is a unique weapon—and what is required primarily is high potential and performance as a weapon. Operating cost tends to be secondary.

Q What about building an aircraft carrier or a very large ship for trans-Atlantic use? Would it be feasible?

A Oh, very feasible, most feasible.

Q Would a nuclear power plant take less space than an ordinary power plant because of fuel it requires?

A That's the principal advantage both in the submarine and the merchant ship.

HOW COSTS COMPARE—

Q Then it would be most economic in a cargo ship, wouldn't it? There would be more space available—

A Yes. In that connection I can give you some figures on the cost of electric-power energy. For instance, it depends on such factors as your water power, accessibility, your installation costs, your fossil-fuel equivalents. If you ship your fossil fuels long distances, then you run your costs way up. But electric power costs in our country run between 4 and 7 mills per kilowatt-hour. That's cheap. That's by water and the fossil fuels—coal and oil.

But the United States has about the cheapest power in the world. I think that's a fair statement. Britain is costly. France is costly—the Rhone development has been very costly. So, I'd say most nations would pay for electric power probably twice what we are paying.

When you get down into ship transportation, you've got another thing. You have to compare what it costs a coal or oil-burning ship to develop the steam power to drive its turbines and propellers as against the cost of nuclear power.

Now, the initial cost of building a nuclear ship might be more. We're dealing with factors here that haven't really been worked out. We can't really speak in terms of operating costs at this point, but certainly the big advantage is in saving the space for fuel. Frankly, in our country, with its presently cheap electric power, I would expect that the big atomic development over the next five years—add 10 if you want, although I expect to see all this move much faster—would be in marine applications, atomic-powered ships.

Q Well, is there a barrier in laws—is there something needed in the way of new laws?

A No. The Joint Atomic Energy Committee [of Congress], I think, has been in the main extremely constructive. The late Brien McMahon, the first chairman, was intensely interested always. Of course, they were looking at it in his day as a weapon, and they didn't have fuel enough to consider it for industrial use. Also, I think the scientists have worked out a lot better method of control in the last five or six years. But they clamped on very strict security, as they should. It was right after a big war and they didn't want to make trouble, and there was every reason why we should have very tight security, both psychologically and actually. That's the reason for the McMahon Act. Now the Act has been amended. Sterling Cole, who was chairman for a while, has been very helpful.

There are a lot of them on the Committee who are most interested. It's been a fine, fine group, and the members have wanted the best for the nation.

Q They would give industry a chance to go ahead?

A They're very anxious for it to do so.

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Out . . . a desperately needed junior high school. This unsprinklered, three-story brick-and-frame building was already overcrowded when a fire of undetermined origin destroyed it. Overnight the Board of Education was confronted with the problem of fitting 700 students into an overcrowded school system.

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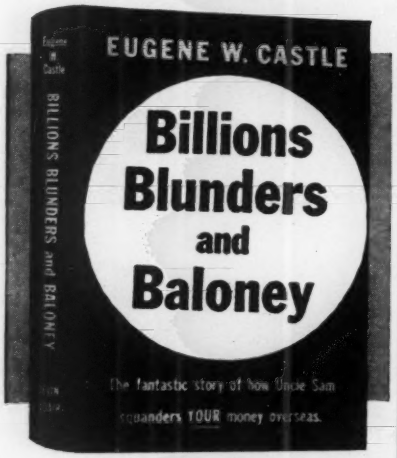

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Where Jobs Are Fading: Coal, Railroads, Textiles

Unemployment is becoming an old story in some parts of the U. S. In certain industries, there are fewer jobs every year.

It's a situation that puzzles Congress at a time when most of the country is prosperous, when 60 million are at work.

A look around the country shows what is going on.

Congress right now is looking for an answer to this question:

Why are more than 3 million people out of jobs in the U. S. at a time when most of the country is enjoying prosperity and a high standard of living?

What prompts Congress to look for causes is increasing evidence that unemployment has been rising rather steadily in certain industries. Coal is cited as one such industry. Railroads, textiles, oil, lead and zinc are others.

Reasons behind the rise are being sought by a subcommittee of the Senate under the chairmanship of Matthew M. Neely (Dem.), of West Virginia. Some people are blaming low tariffs that permit foreign goods to outsell American products. Other causes are suggested.

But, while Congress seeks the reasons, a check around the country shows what actually is happening so far as jobs are concerned.

Unemployment is shown to be spotty. There are areas where layoffs have been heavy. A few "problem" industries have cut down their work forces substantially in recent years. Yet close to 60 million persons were employed in February, and factory jobs were showing a pickup over January.

The chart on this page shows the larger industries being studied by the Neely subcommittee. The degree of unemployment varies considerably among these industries. The latest employment figure for each industry is compared with the peak annual-average employment for the last 15 years.

Hard coal: No. 1 problem? The anthracite industry, for example, is shown to be hiring about one third as many

(Continued on page 102)

LAYOFFS HIT WORKERS HARD IN THESE INDUSTRIES

	Peak Employment (In last 15 years)	Present Employment	DECLINE
RAILROADS	1,420,000	1,027,300	392,700
TEXTILES	1,375,000	1,087,700	287,300
SOFT COAL	474,600	203,700	270,900
HARD COAL	92,300	31,700	60,600
FARM MACHINERY	197,000	143,100	53,900
GLASS	147,600	136,600	11,000
POTTERY	63,000	54,600	8,400
LEAD, ZINC MINING	22,900	14,700	8,200

Source: Bureau of Labor Statistics

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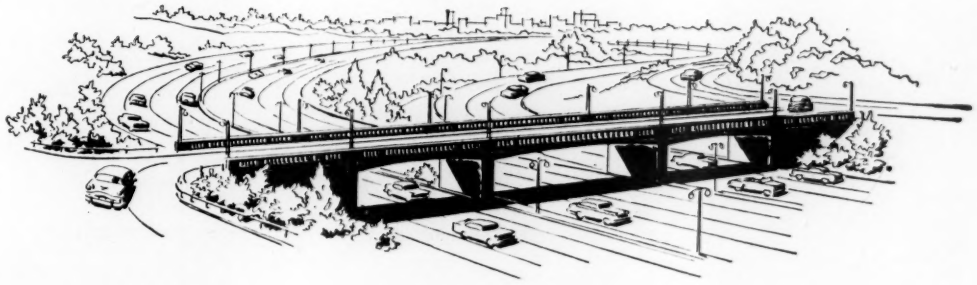
Whatever the size of an expanded highway program



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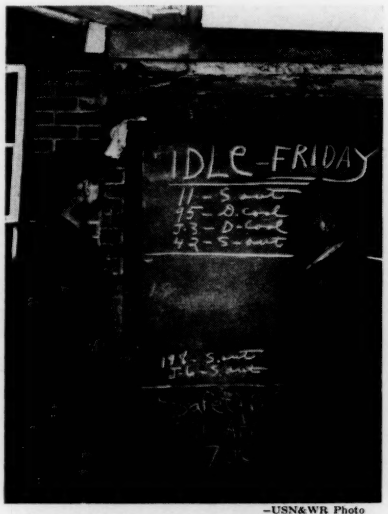
320 N. E. Fifth Street, Miami, Florida

All business suffers when mines shut down . . .

miners as it did in 1941, making it perhaps the most serious problem being studied by the congressional investigators.

This loss of more than 60,000 jobs in the hard-coal fields has resulted in some business declines in other lines, in those areas. Reduced payrolls at the mines have meant less business in the stores.

More than 14 per cent of the labor force was idle in Scranton and in the region around Wilkes-Barre and Hazleton in January, the committee has learned. These Pennsylvania cities have been hard hit for years, since anthracite production slumped, and have been mak-



–USN&WR Photo

NO WORK TOMORROW
. . . a frequent sign in coal mines

ing strenuous efforts to bring new industries to their areas.

The Scranton area and the Wilkes-Barre and Hazleton area are among seven labor areas that have appeared consistently on the Labor Department's list of cities with a "substantial labor surplus." The list has been compiled since 1951.

Missing: half of the jobs. The Senators also are learning about growing unemployment in the soft-coal fields. The soft-coal industry has 203,700 at work, a drop of 270,900 since 1942, which marked the high point in this industry for the last 15 years.

The committee also is learning these things:

In the Johnstown, Pa., area, 18 per cent of the work force is unemployed, or a total of 18,900 idle workers. Twenty-

. . . Railroaders line up for jobless benefits

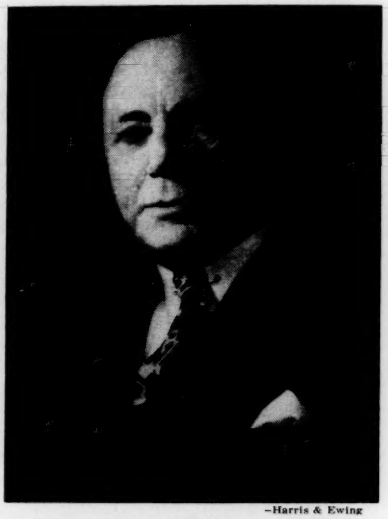
five per cent of the work force is idle in the area around Uniontown and Connellsville, Pa., with 13,300 listed as unemployed.

Another coal area, at Clearfield and DuBois, Pa., reports 14 per cent of the labor force unemployed, or a total of 5,100 workers.

In the year just past, employment in the soft and hard-coal fields of Pennsylvania has dropped by 48,000.

West Virginia, another big coal State, is paying out such large sums to coal miners and others that its unemployment fund is 30 million dollars below its 1952 level.

Virginia reports about 9,000 workers unemployed in its coal areas. Layoffs



–Harris & Ewing

SENATOR MATTHEW M. NEELY
. . . wants to know why

have increased in some areas of Kentucky and Tennessee in recent months.

The railroad industry also has shown a decline in employment in recent years. From a peak in 1945 of 1,420,000 jobs, employment on Class I railroads now has gone to 1,027,300—a drop of 392,700.

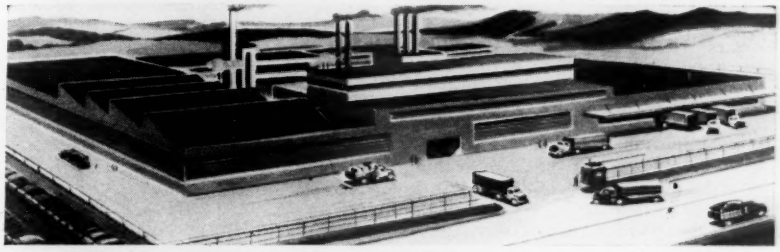
At latest count, 166,000 railroad workers were drawing unemployment benefits.

A rail center, Altoona, Pa., has felt the loss of jobs on the railroads and in related fields so much that it has appeared regularly on the nation's list of cities with serious unemployment problems.

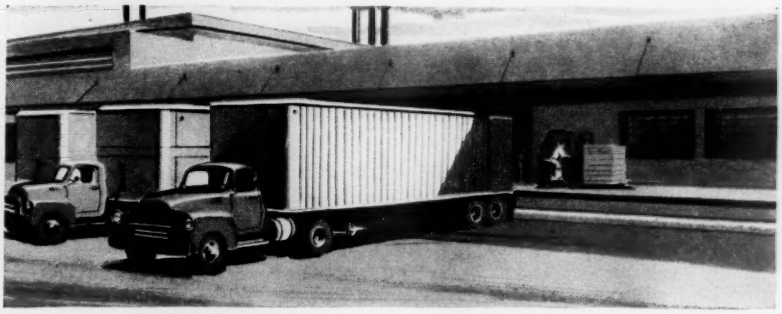
Textiles: a steady decline. Employment also has been dropping in the tex-

(Continued on page 104)

NOW IT'S A PASTURE . . .



NOW IT'S A PLANT . . .



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Trucks make it possible to *build* the new plant—and it's trucks that keep it operating profitably once it's built, bringing in the raw materials and parts and moving out the finished, ready-for-the-market products.

Years ago, before trucks came along, decentralization of industry was out of the question. Like it or not, a plant just *had* to be on a rail-line.

Today all that's changed. Trucks, with their speed and flexibility, have brought a vast new outlook to American industry. Now, thanks to the superb mobility of motor transport, you can set up shop in the spot most advantageous for your business—wherever that may be—and know you'll have the best of transportation services at your door.

Decentralization can be a mighty important advantage in peace and war—and trucks have made it possible!

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American Trucking Industry

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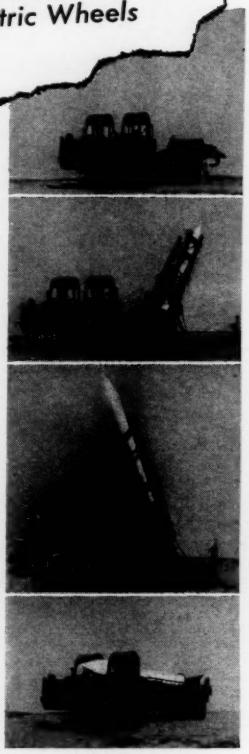

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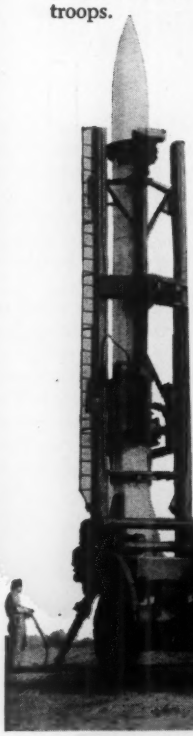

The engineering and manufacturing facilities of R. G. LeTourneau, Inc., are ready now to help solve *your* problem. The Corporal Loader is substantial evidence that it *CAN* be done . . . with LeTourneau.

These photos show how Corporal Loader handles missile for delivery to launching site. This machine was designed and built in conjunction with Firestone Tire & Rubber Co., producers of the Corporal Guided Missile.

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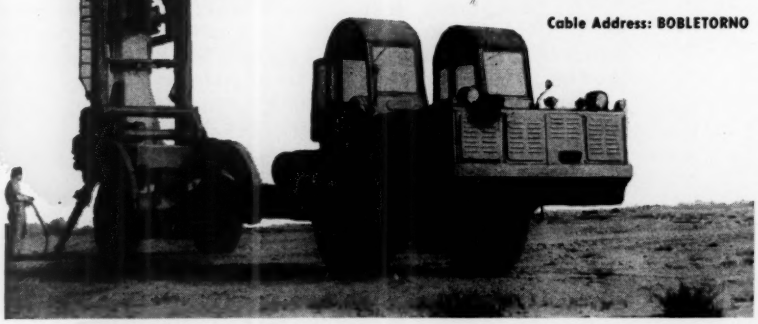


. . . Labor surpluses reflect textiles' decline

tile industry. From a 15-year peak in 1942, the industry has seen employment fall by 287,300 jobs, until slightly over a million now are at work.

The Government has found Lawrence, Mass., to have one of the worst problems in this field. During most of 1954, more than 20 per cent of the city's labor force was unemployed. That area, officials said, had the most severe labor surplus in the country, relative to the city's size.

Lawrence has had a surplus of labor over jobs since World War II, because of a general decline in wool textiles, officials report.

Two other textile centers—Lowell, Mass., and Providence, R.I.—also have appeared on the Labor Department's list of surplus-labor areas since the current listing was started in 1951.

Glass manufacturers have laid off some workers because of reduced volume of business, although unemployment here is not as serious as in textiles.

The glass industry reached a 15-year peak of employment in 1953, when 147,600 persons were at work. Since then, employment has tended downward until there now are 11,000 fewer persons at work.

About 32,000 workers are employed in the flat-glass branch of this industry, with nearly 88,000 in the pressed or blown-glass branch and about 17,000 making various products out of purchased glass.

Farm machinery: an upturn. In one industry being studied by the committee—farm machinery—there are signs of an improvement in employment.

Some plants in this field are boosting their payrolls, as sales prospects improve. Employment has been on the rise for several months, and is above a year ago. The total, however, still is nearly 54,000 below the level reached in 1951. The industry, at latest count, had 143,100 employes at work.

Pottery-making jobs have declined a bit in recent months, but are slightly higher than a year ago. When compared with a high mark of 1951, this industry shows a drop of 8,400 jobs. It now has 54,600 employes.

Oil refining, on the committee's list for study, is shown to have a less serious unemployment problem. Since a high mark in 1953, employment has fallen off 5,100, but 201,200 persons have jobs in the industry.

A decline in jobs also shows up in the lead and zinc-mining industry. Employment here, now totaling 14,700 workers, is 8,200 below the level reached in 1947.

A New Split In Labor's Ranks?

Some union officials are beginning to ask: "Is Dave Beck getting ready to launch his own federation of labor?"

The question is prompted by recent moves of Mr. Beck's Teamsters Union, largest in the AFL. The union already claims more than 1.3 million members and shows signs of branching out in new fields, labor officials say.

Mr. Beck, for example, is ready to take into the Teamsters an East Coast union of dock workers that was expelled from the AFL in 1953. The Teamsters' executive board last week invited the International Longshoremen's Association to become a branch of the Teamsters.

The ILA was ousted from the AFL on charges that racketeers controlled the dock union. AFL officials recently have indicated that they were unwilling to readmit the dock union.

If Mr. Beck sets up a dockers' division for his union, he apparently will start with about 60,000 East Coast members now in the ILA. Officials of other AFL unions are speculating that this dock division might later take in the West Coast longshore union now headed by Harry Bridges.

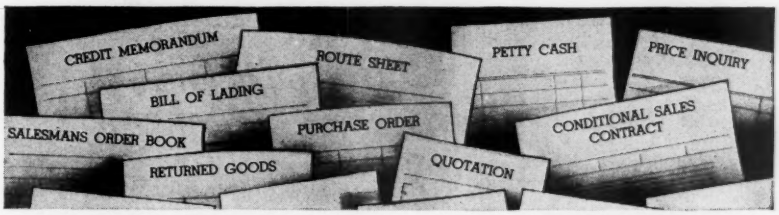
The Bridges union was expelled from the CIO in 1949 on charges of Communist domination. It claims 52,000 members.

Another move by Mr. Beck that prompts talk of a "Beck Federation of Labor" is his current drive to win a company-wide contract at Montgomery Ward & Co. The Teamsters Union in this instance takes in store clerks and other employes, in addition to truck drivers. Other AFL unions have noticed a tendency on Mr. Beck's part to branch out in other areas, take in any and all employes.

Mr. Beck denies any idea of getting outside his own field, and he has agreements with various unions to respect each other's jurisdictions. In his current expansion drive, however, Mr. Beck seems to be piling up new troubles for AFL President George Meany. Mr. Meany was a leader in the move to expel the New York dock union, and could be expected to oppose its return.

At least two other unions, according to reports in labor circles, have hinted that they might like to join up with the Teamsters. They are the Mine, Mill & Smelter Workers, and United Electrical Workers, both ousted from the CIO on charges that they were Communist dominated. Mr. Beck reportedly declined to take the smelter union, but whether a merger could be worked out with the other union remained in doubt.

Which of these many



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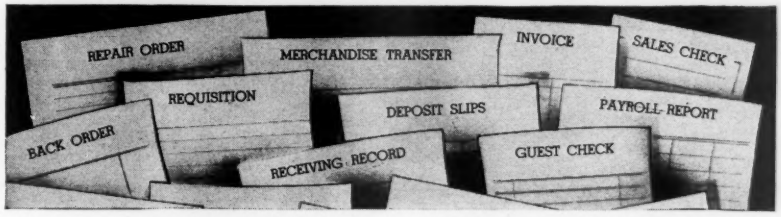

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Letter Cites Anti-Fascist Views

In its "Preliminary Report on Neo-Fascist and Hate Groups" released Dec. 17, 1954, and published in "U. S. News & World Report" of Dec. 31, 1954, the House Committee on Un-American Activities made the following statement:

"A number of individuals notorious for their efforts to create a nationwide fascist organization in the United States in the 1930s are also propagandizing again through *Common Sense*. McGinley has printed articles and letters from Gen. George Van Horn Moseley (Ret.), Col. Eugene N. Sanctuary and Charles B. Hudson. He has advertised for sale a new book by Robert Edward Edmondson. The Special Committee on Un-American Activities reported in 1940 that General Moseley was being seriously considered as a national leader of an attempted union of fascist and hate groups in the United States until the plans were exposed and Moseley was called as a witness before the Committee. The special Committee named Sanctuary, Hudson, and Edmondson as being among the individuals who took part in this unsuccessful attempt to create a united fascist movement."

Here are extracts from a letter dated March 2, 1955, to "U. S. News & World Report" from Robert Edward Edmondson:

"Under date of April 24, 1934, I delivered an invitation-address . . . entitled 'Americanism,' which was prefaced by this statement . . . :

"'As my address is on Americanism, it is apropos to outline my conception thereof. I am for Americanism under the Constitution; for Representative Government without selfish minority dictation; for Individual Liberty without License; for Equality of Opportunity without predatory practices. Being Pro-American, I am Anti-Fascist, Anti-Communist and Anti-Socialist because they undermine Americanism . . .'

"And on Feb. 24, 1938, before a large N. Y. City audience, I delivered another invitation-lecture on Americanism . . . , which contained these declarations:

"'"Are you a Fascist?" I am asked. The answer is no. "Are you inclined toward Fascism for America?" No, the dictatorship regimentation thereof is un-American. "Do you favor German Nazism for the U. S.?" I do not. It represents regimentation by master-leadership, which is also un-American.'

"The foregoing information was available to the House Committee on Un-American Activities at the time. . . . It has been repeated under oath to Chairman Walter of the current Committee on Un-American Activities at Washington."

Eden Tells Parliament:

WHY BRITAIN WOULD ABANDON OFFSHORE ISLANDS TO REDS

Britain's formula for ending the Formosa crisis, as laid down by Foreign Secretary Eden:

• Let Red China have Quemoy, Matsu, all the offshore islands without a fight.

• Keep the door open for dealing with the Communists. Let things quiet down, then decide the future of Formosa.

Sir Anthony, reporting to Parliament on his travels in Asia, gives his Government's views on a whole range of trouble areas.

By cable from London, *U. S. News & World Report* gives you what the Foreign Secretary told the House of Commons, together with key passages from the debate that followed.

Following is the full text of a speech in the House of Commons by Sir Anthony Eden on March 8, 1955, and excerpts from the debate which followed the speech:

LONDON

The Foreign Secretary [Sir Anthony Eden]: With your permission, Mr. Speaker, and that of the House, I should like to make a statement on my recent journey.

A journey of 16,000 miles in 16 days, including a conference of three days' duration and important discussions in several capitals, can clearly not be surveyed in a brief statement to this House. It may therefore be convenient if I compress the account of my voyaging and deal with it under three main headings: the Middle East, Southeast Asia and the Formosa Straits.

I found in the Middle East a general acceptance of the need to organize a safe shield of defense to protect the area from aggression from without. There is also a recognition that the security and prosperity of the area cannot be fully realized so long as the present disruptive relations persist between the Arab States and Israel, now unhappily aggravated by further recent incidents. Thirdly, all the states I visited, Egypt, Pakistan, Iraq and the Lebanon, were anxious to be able to pursue the plans for economic development on which they have embarked.

Her Majesty's Government are in sympathy with all these aims and are ready to help in so far as they can to realize them.

While in Baghdad, I discussed with the Prime Minister of Iraq the questions which would arise if Her Majesty's Government were to accede to the Turco-Iraqi pact. I hope before long to give the House further information on this subject. Our aim is to forge a new association with Iraq which will bring our relations into line with those which already exist with Turkey and our other partners in NATO [North Atlantic Treaty Organization].

New weapons and changed political conditions should be reflected in a fresh approach to our joint arrangements for resisting external aggression in this area. Our common needs can now best be provided for in different and more up-to-date ways than those which were embodied in the Anglo-Iraqi treaty more than 20 years ago.

The first meeting of the Council of the Manila Treaty of the countries of Southeast Asia was held in Bangkok from 23rd to 25th of February. I told the House, when we discussed the treaty on eighth November, that this first meeting would be chiefly concerned with setting in hand the arrangements for military and other planning for the defense of the treaty area. So it was. But it was none the less important for being concerned mainly with questions of organization.

Our decisions have been set out in the full communiqué published by the Council, which I have arranged to make available to the House. Permanent representatives are being appointed to maintain consultation when the Council is not in session, and they will be assisted by a small permanent secretariat in Bangkok.

Military advisers will be attached to the Council. These have already held their first meeting and have made the necessary arrangements for their further work. Their duty will be to plan how the resources available for the common defense of the area can be used to the best advantage, should the need arise. There are also to be early meetings of experts to discuss economic questions and measures for meeting the danger of subversion.

Full use will be made of existing agencies, such as the Colombo Plan, the importance of which is increasing steadily. For this reason we decided that it was not necessary to set up any permanent economic organization within the Manila Treaty.

Another example of the work now going on is the excellent co-operation which has been established between the police authorities in Malaya and in Siam to deal with problems created by Communist terrorists on either side of the common frontier.

To sum up, the Bangkok Conference worked out an acceptable program for defense policies and economic problems between the countries who are member states; it also did nothing to hinder the subsequent association of other countries in this area. However this may develop, I have confidence that we shall see steadily improving relations between all the free countries in this part of the world whether members of SEATO [Southeast Asia Treaty Organization] or not. And that is the result we want to see.

But we recognize that this work of regional co-operation

(Continued on page 108)

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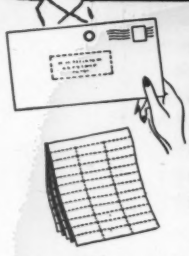

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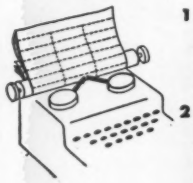

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"We would like to see the Chinese Nationalists withdraw their armed forces from the coastal islands" . . .

represents only one means of strengthening peace and stability in Southeast Asia.

Another essential contribution to the same end was the agreement concluded at Geneva last summer which ended the fighting in Indo-China and established the independence of the three Associated States.

The governments represented at the Bangkok Conference reaffirmed their determination to support these states in maintaining their freedom and independence.

When I went on to Singapore after the Bangkok meeting, I discussed the situation in Vietnam, Laos and Cambodia with Her Majesty's representatives in those states. This formed part of a wider meeting with the Commissioner General in Southeast Asia and our civil and military representatives throughout that region. This discussion was most valuable to me.

My visits to Southeast Asia have brought home to me how closely the countries of the area cherish their independence. Each country wants to develop in its own way, and their own ways may differ widely. They want to shape their own destinies with the minimum of outside interference and pressure. Democracy in these countries will grow stronger as they gain confidence from its practice and example.

From Singapore I flew to Malaya and spent a memorable day, with the help of helicopters, in seeing the work of our Commonwealth forces. The spirit in which these men are facing their daily ordeal of foul discomfort and danger is beyond praise. The success they have won is a splendid tribute to their leadership and to them.

Talks With Mr. Dulles

While I was at Bangkok, I had separate and helpful discussions with Mr. Dulles about the situation in Formosa and the coastal islands. I also maintained, during my journey, the contacts which had been established with Moscow and Peking and which are still continuing.

In the light of these exchanges, I again considered, on the subject of Formosa, whether any further progress could be made through a conference or other discussions. I had valuable conversations about this on my way home with the Prime Minister of Burma and with Mr. Nehru, who received me with the utmost kindness as the first British Foreign Secretary to visit the Indian capital.

After these talks, and on the basis of the information about the attitude of the Chinese Government which reached me from Peking, I came reluctantly to the conclusion that the necessary conditions for progress do not yet exist. We are, however, going on working to try to bring them about and meanwhile to prevent incidents and further fighting.

We cannot, of course, impose our views upon the parties most directly concerned, nor decide for them where their own true interests lie. Nor can the many different aspects of this tangled problem be settled all at once. But the House will wish to know—and I think is entitled to know—what is the position of Her Majesty's Government in this situation and what, in their view, are the lines along which progress is to be sought. Its main elements seem to me to be these:

The United States Government have already given positive proofs of their desire to relax tension and reduce the risks of war. I am convinced—I say this with all the conviction in my power—that they wish to see conditions created which would put an end to active military hostilities in the area and reduce the dangers of a wider conflict.

In their treaty with Chiang Kai-shek they have explicitly limited their own formal commitments to the defense of Formosa and the Pescadores. They have effectively restrained the Chinese Nationalists in recent weeks from initiating attacks against the Chinese mainland. They have persuaded the Nationalists to evacuate the Tachen and Nanchi islands.

The Chinese People's Government for their part have refrained from attacking Quemoy and the Matsus. Her Majesty's Government trust that they will continue to exercise this restraint and that they will make it apparent that, while maintaining intact in all respects their position in regard to Formosa and the Pescadores, they will not prosecute their claims by forceful means.

It is equally desirable that the Chinese Nationalists, for their part, should also do two things. We would like to see them withdraw their armed forces from the other coastal islands. We would also hope that they would let it be known that they, too, while maintaining their claims, will not prosecute them by forceful means and will abstain from all offensive military action.

I suggest to the House that if these objectives could be realized, consideration could then be given internationally at an appropriate moment to the problem of Chinese representation in the United Nations and to the future status of Formosa.

. . . "Formosa consequences may be grave indeed"

Any attempt—and I know it only too well—to make progress along these lines clearly raises grave problems of timing, of presentation and of policy. But there is no problem, however intractable, which with time and patience cannot be made less so. And if the attempt is not made in the case of Formosa and the coastal islands, the consequences may be grave indeed. That is my justification for giving to this House this outline of the main elements of the problem as they appear to Her Majesty's Government.

Herbert Morrison [Labor]: The House will be glad to see the Foreign Secretary back in his native land after very extensive travels, and we thank him for the comprehensive statement which he has been good enough to make. I should like to ask Sir Anthony Eden as regards the relationship between the Arab States and Israel—and we are all anxious about recent events—whether anything has been done, or anything can be done, to end the fundamental difficulty, which is the state of war persisting, at the behest of the Arab States, for five or six years between the Arab States and Israel. I should like to ask whether anything can be done to bring that to an end.

We are obliged to Sir Anthony for what he said about the Southeast Asia situation. We fully agree that the economic activities in Southeast Asia, particularly in developing the Colombo Plan, in which we had a hand at the beginning, are a matter of very great importance. We would also join with Sir Anthony in paying our tribute to the bravery and courage of the men in Malaya who are struggling under very great difficulties for the restoration of law and order.

"Established" China Policy

We are appreciative of what Sir Anthony said about Formosa. It appears to be now established that the policy of Her Majesty's Government is that it would be well for the Nationalist Chinese forces to withdraw from the coastal islands. The coastal islands are one question and Formosa is another question. In principle we agree with that, and that there should be an abstention from military action.

I do not want to embarrass Sir Anthony, but I wonder if he could say anything about whether the United States Government in principle accept the view which he has expressed. One would hope that that might be so, but we agree with

(Continued on page 110)

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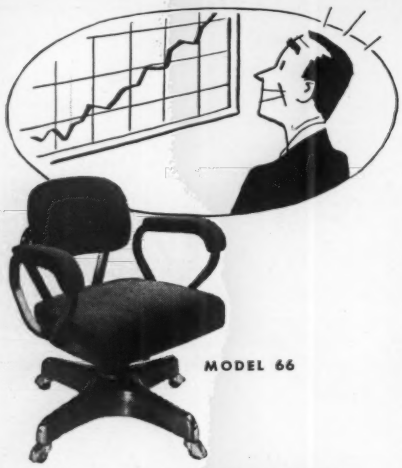

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"We have been trying to improve the Israeli-Arab situation . . . Gaza incident will set back the work" . . .

the general view which Sir Anthony has taken that the sooner the Nationalists are out of the islands by the mainland and the issue is confined to Formosa, the better it will be.

Sir Anthony Eden's statement has only just been made. It may be that there will be further parliamentary questions and that the statement will need further study but, broadly speaking, we are obliged to Sir Anthony for his statement.

Sir Anthony: I am grateful to Herbert Morrison and I should like to try to reply to the main question, the one concerning Israel and the Arab States. I think that the House knows that we have been making efforts to try to improve the situation there, and that there had been in fact a certain improvement over the last month—which had been acknowledged by both sides—when this most unhappy Gaza incident occurred which, I am afraid, will have aroused passions again and set back the work which we wanted to do.

I can see nothing that can be achieved at the moment in that sphere except that it should be handled by the Security Council, and I should hope that in so doing the Council will handle it on the broadest basis, dealing not only with the immediate issues but with the wider issues as well.

As to what I said about Formosa, and as to the position of the United States, what I have done in my statement, of course, is to do what I thought the House would consider it my duty to do, that is, to set out the position of Her Majesty's Government. What I have said commits absolutely nobody except Her Majesty's Government.

I would add only this in reply to Herbert Morrison: If there really were an indication of a willingness to refrain from the use of force, I think that then the chance of a situation resulting, such as Herbert Morrison has in mind in respect of the offshore islands, would be enormously increased.

U. S. Position "Difficult"

Shall I put it like that? The difficulty for our American friends, I think it is fair to say, is that, if any form of withdrawal is regarded as a steppingstone to a further attack, then clearly the position for them is very difficult. I think I should repeat that any indication that, in prosecuting claims, force will not be used would, I believe, reduce the tension at once and perhaps enable us to make headway.

Arthur Henderson [Labor]: Can Sir Anthony say whether he and Mr. Nehru found themselves in their talks in broad agreement on Far Eastern problems?

Sir Anthony: I think one half of that answer should be given by the Prime Minister of India and not by me, but what I have said here about the talks, I repeat, commits nobody else. My statement is made on behalf of Her Majesty's Government and will not even commit any Commonwealth government. I found our conversations in India very helpful, as my statement indicates. I ought to say that the welcome to me which I received in Delhi from the Parliament there was very warm and friendly indeed.

Godfrey Nicholson [Conservative]: May I say that we on this side of the House are glad to see Sir Anthony back looking so well? I should like to ask him to clarify the position a little in regard to the Indo-China succession states. I think he was a little vague about that. Perhaps he may not wish to be more precise, but if he could clarify the position I should be grateful.

Sir Anthony: I considered that, but my statement was already long and the difficulty in doing it was that no common sentence applied to all three states. The situation is different in each one, but if G. Nicholson will be good enough to put down a question, I will gladly give him full information on each of them. I think that is perhaps the best way to handle it.

Joseph Grimond [Liberal]: After his conversations with the Arab States, did Sir Anthony form the opinion that, if there were a period of comparative peace on the frontier, there was any chance of resettling the Arab refugees?

Sir Anthony: I do not know that I could answer that helpfully with things as they are at the present moment. The truth would be that what we were working for was some period without incident on the frontier from which we might move to a more comprehensive settlement. I do not myself see how we could settle the refugee problem without settling some other matters, too.

Maj. Edward Legge-Bourke [Conservative]: In view of the fact that the United Kingdom, together with France and the United States, has guaranteed the frontiers of Israel, and in view of the fact that the Mixed Armistice Commission has condemned Israel, would Sir Anthony consult the other guarantors to see whether something cannot be done jointly to restrict Israel from repeating her performance?

Sir Anthony: The matter is before the Security Council and, as my Honorable and gallant friend knows, our guaran-

. . . "Friendship with U.S. remains 'normal'"

tees are not unilateral. They extend both ways. Therefore, I think it would not be wise to add to what I have said.

° ° °

Thomas Reid [Labor]: Would it not strengthen the position, security and safety of every Southeast Asian country if India abandoned her policy of neutrality and joined with the other states of Southeast Asia? Has Sir Anthony had any success in that direction?

Sir Anthony: We can all express all sorts of opinions about the policies of other countries, and naturally there is nothing that we want to see more than a wider membership of SEATO. As I made plain, I do not think everybody will agree with us any more than any other country will entirely accept proposals I have just made to the House. No one will accept them in their entirety, but that does not mean to say that they are not right all the same.

° ° °

Red Chinese "Negotiation"

Kenneth Younger [Labor]: While accepting what Sir Anthony Eden said about its being a great contribution to a settlement in the Far East if the Chinese Communists would agree not to prosecute their claims to Formosa by force, would Sir Anthony not agree that the corollary to that is that they must receive some indication that if they prosecute their claim by negotiation the doors will not be wholly closed? Can he say whether there is any such hope which he can, in fact, offer to them?

Sir Anthony: Kenneth Younger is very experienced in these matters. He asked a question which it is very reasonable to ask, but to answer it beyond the terms of my reply would not be wise or helpful at the present time.

Charles Doughty [Conservative]: Can Sir Anthony assure us that our friendship, co-operation and consultation with the U. S. remains as strong as ever?

Sir Anthony: Yes, sir, I could say "normal," as somebody else said on a similar occasion.

° ° °

Fenner Brockway [Labor]: While appreciating what Sir Anthony Eden has said about the coastal islands, can he assure the House that the survey of defense made at the Bangkok Conference would not involve this country inextricably in any developments in that area with which we do not agree?

Sir Anthony: The Bangkok Conference did not cover the area of Formosa. That island is outside the area of the conference.

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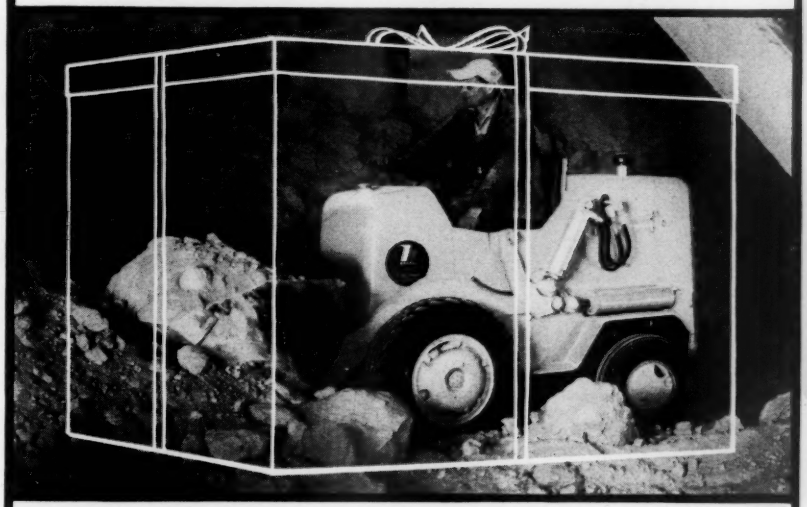

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Democrat Tax Plan to Aid Low Incomes Hits Business

You don't have to wait till 1957 to see what the Democrats will do if they win the White House and Congress in 1956.

Their plans are clearly revealed in their new tax program.

It's a shocker for business—and for investors in industry.

Idea is to shift a billion dollars or more of taxes from those who now pay the least taxes to those who pay the most taxes.

Democrats in Congress now let the country in on what they have in mind for taxpayers.

You see the details in a new Democratic tax plan, offered in the Senate. This plan provides a rare insight into the basic clash between tax philosophies of Republicans and Democrats. That clash will not end with any one skirmish now.

The fact is that Democratic leaders have begun their fight to wipe out the key features in the Eisenhower tax program. Simply put, the Democrats' plan is to take back important tax relief given to businesses and investors in order to spur industry growth—and to give that tax relief to low-income groups.

Democrats say increases in consumers' after-tax income spur industry growth more than do aids to investors.

Republicans, for example, put through a "start" on ending "double taxation" of dividends—taxed once as income to corporations and again as dividends to shareholders. Democrats are out to repeal that keystone of Republican taxes.

Republicans are pledged to tax cuts for all, with emphasis on relief where taxes are highest. Democrats want to deny relief to all but low-income groups.

Republicans sponsored rules permitting faster tax write-offs of business investment, to speed industry growth. Democrats want to repeal those rules.

Republicans want to extend present excises and the 52 per cent rate on corporate earnings for one year, while the budget is unbalanced. Democrats want to extend those levies for more than two years, to let business pay for tax cuts offered to low-income groups.

Republicans want to rewrite, but keep the philosophy of a tax provision that was designed to make tax accounting square with business accounting. Democrats apparently want to repeal that provision permanently.

What it means. Real significance in all this lies in the clear pattern that is being cut for the 1956 presidential election—probably for years beyond.

Democratic leaders recognize that their plan will be taken as a deliberate poke at business. But businessmen, the Democrats think, do not make a large group at the polls. What Democrats expect, as they state quite frankly, is that their plan will appeal to the largest number of voters.

Who gains, who loses. Take, for example, the Democrats' plan to scrap tax relief granted on dividend income. Shareholders stand to lose 360 million dollars a year in tax relief already granted by Congress.

Under present law, enacted last year, stockholders get to omit from taxable income the first $50 of dividend income received in a year. And they get a flat tax cut amounting to 4 per cent of the rest of their dividend income.

Democratic policy makers want Con-

What Senate Democrats Want To Do To Taxes

Reduce 1956 income tax—for single persons and married persons with low incomes—by $20 for each taxpayer and $10 for each dependent.

Repeal tax relief granted last year to stockholders.

Repeal rapid tax write-offs of business investments.

Repeal tax change that permits business to deduct estimated future expenses.

Extend present excise rates and the 52 per cent corporation income tax rate to mid-1957.

gress to renege on both those relief grants. Effect would be to make investment in common stocks less attractive.

Or take the Democrats' demand that the new rules on depreciation of business investments be withdrawn. Businesses and investors stand to lose amounts ranging from 1 billion to 2 billion dollars a year in the years ahead. Over a period of five years, it means there would be a total of nearly 9 billion dollars taken away from funds earmarked for investment in new factories, stores, machinery and other job-producing facilities.

Specifically, Democrats want to go back to the old rules, under which businessmen had to write off their capital outlays by deducting the same amount each year, over the life of the new facility. New rules, adopted last year, permit larger deductions in earlier years of the use of, say, new machinery. It's in earlier years that equipment suffers the most wear and tear and obsolescence.

Democrats, urging that both these key provisions of the Eisenhower tax program be scrapped, want to use the added revenue to offset new tax cuts for low-income groups.

Individual reductions. Contrast between the Republican and Democratic approaches to general tax cuts is just as clear.

The Eisenhower plan for general tax relief is one designed to remove "restraints on production and economic growth." Tax rates that take 50 to 91 per cent of any additional dollars that a man might earn by risking his savings, in the President's view, discourage investment of savings in new ventures.

Accordingly, the President and his tax advisers are impatient for the time when the budget will permit reductions in the highest tax rates.

Senate Democrats propose no tax relief in the highest brackets. They put the emphasis on cuts for low-income groups.

Specifically, the Democrats offer each taxpayer—with certain limitations—a $20 tax cut for himself starting next January 1. Also, they offer him a $10 cut for each dependent. No reduction is offered for a wife—or husband—of the taxpayer.

The limitations are these: The tax relief would be reduced by each dollar of tax savings that the individual now enjoys from income splitting. So a married couple now saving $20 or more through income splitting would get no tax cut.

Single taxpayers now get no income-splitting benefits. They, thus, would receive the full benefit of the Democrats' tax cuts.

Some examples. To see how married couples fare, take families with two children.

The family with an income of $3,000 would find its tax cut from $60 down to $20—a reduction of two thirds.

(Continued on page 114)

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A list of 32 companies likely to announce stock splits or large stock dividends has just been prepared by UNITED's Staff. These are strong, prosperous concerns where earnings are favorable and where dividend increases can easily be afforded. The background in each case points to a stock split eventually and a larger cash dividend. Current dividends on these stocks offer you yields up to 5.8%.

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Tax fight is about who'll pay a billion . . .

At $5,000, the family now paying $420 would see its tax drop to $382, for a 9 per cent reduction.

At $7,000, the tax cut amounts to only $2—or a fraction of 1 per cent.

Above that, under the Democrats' plan, married taxpayers are denied any reductions.

Thus, the Democratic proposal withholds tax relief from those whose savings Mr. Eisenhower is counting on for investments needed to expand industry and create new jobs and growing output.

Or, to state it another way, Democrats want to take about a billion dollars of tax burden off the shoulders of families that now pay the lowest taxes, and lay that extra billion-dollar load on the shoulders of businesses and investors.

That, really, is what the clash of tax philosophies is all about.

What Happens If "Loopholes" Are Closed

There's a good deal of confusion over the two tax "loopholes" that Congress is being urged to snap shut at the urgent request of Secretary of the Treasury George M. Humphrey. Most businessmen do not realize what is about to happen to them. Many are in for a big surprise.

What is happening is that taxes on last year's earnings—not this year's—are being raised for many companies, in some cases by millions of dollars for individual companies.

Rules involved are complicated. But their meaning and effect are not.

One of the rules—Sec. 452—permits businessmen who are on the "accrual basis" of reporting income to postpone the reporting of income that is paid in advance of services.

Before 1954, income received for services to be performed, or goods to be delivered, in the future usually had to be reported and taxed in the year in which the income was received. But expenses would be incurred against that income in future years. Result was that income and expenses had to be accounted for in different tax years.

The rules which became effective in 1954 permit a firm to report and pay taxes on such income when services have been performed or goods delivered.

. . . Congress may take back business savings of '54

Many companies already have filed income tax reports on last year's operations, using the new rule that was recommended by the country's top accountants. One firm, for example, has reported to its stockholders that the new rule permitted tax savings of some 3 million dollars in 1954. Obviously, many corporations have paid out dividends from earnings based on this new rule.

Retroactive plan. Now, Congress and the Administration are setting about to revoke the new rule—retroactively.

The second rule—Sec. 462—is something like the reverse of the first. It permits accrual-basis companies that commit themselves to future expenses to deduct those expenses in the current year—even though the costs might not be precisely known. Method is simply to set up a reserve for the future costs.

A television dealer, for example, sells his sets with a one-year warranty. He knows that he will have servicing expenses next year that should be charged to the sale of sets this year.

Under the pre-1954 rule, he could not deduct those future costs unless they were accurately known. Under the new rule, he can.

At least, he thought he could. In many cases, businessmen already have.

Now, though, Congress and the Administration are in the process of repealing this new rule, also retroactively.

Official explanation of this about-face runs like this: The new rules were drawn so loosely that taxpayers were able to stretch them around all sorts of situations that the rules never were intended to cover. Officials, discovering this, issued regulations January 22 that were designed to limit the two devices to their intended uses.

Court battle? Taxpayers' lawyers, however, informed Mr. Humphrey that theirs was the correct interpretation of the new rules and that they planned to take their cases to court. That, briefly, is why Mr. Humphrey rushed to Capitol Hill with a request that the new rules be repealed. Now, there's some doubt that even a repealer will stop the litigation planned.

The Administration, Mr. Humphrey made it clear, still likes the ideas behind these two accounting rules. He hopes that they can be couched in more precise language and put back in the law.

That, however, is for the future. Whether the Administration can get through a Democratic Congress a pair of tax rules providing many millions of dollars of tax relief for business is something that businessmen may doubt.

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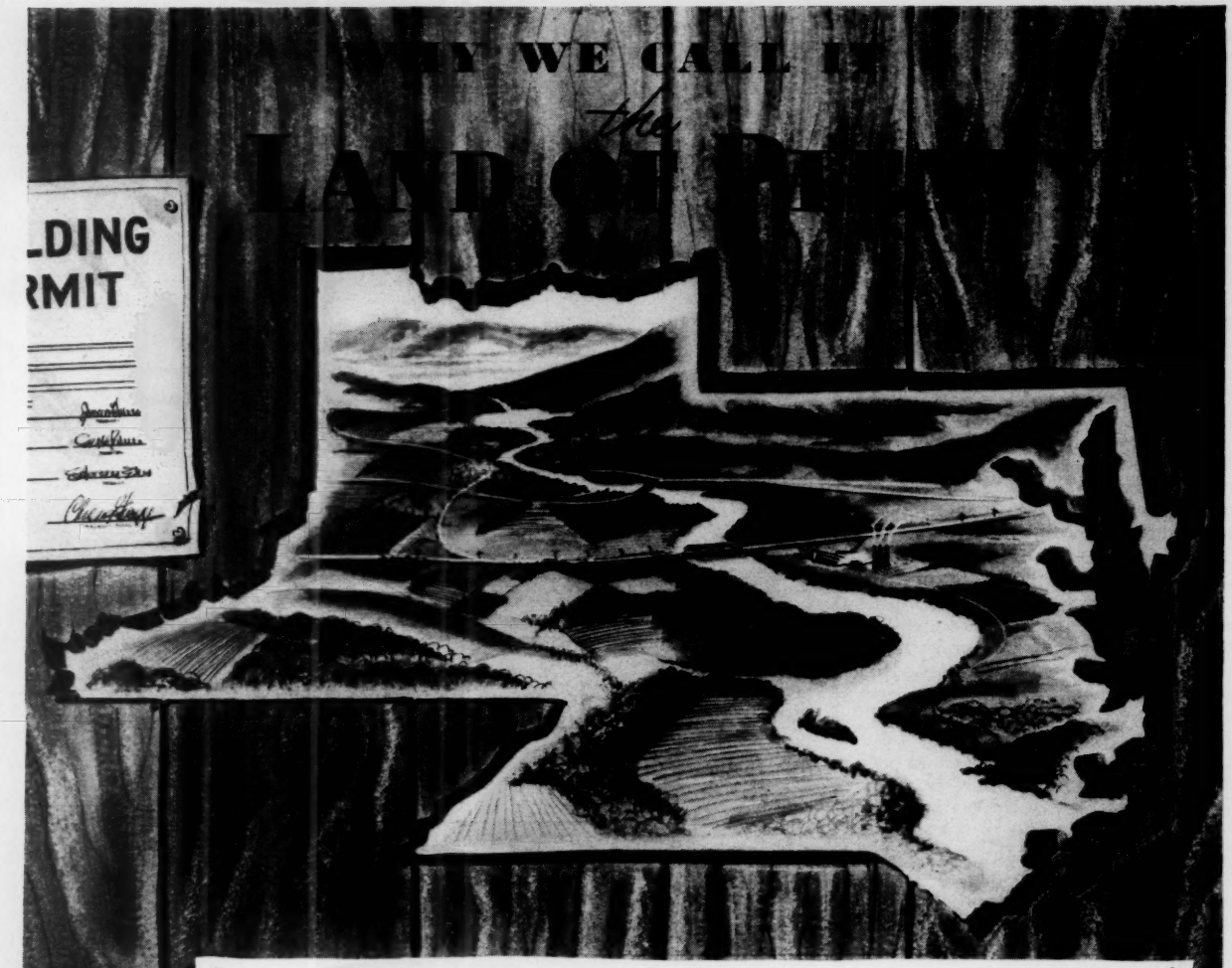

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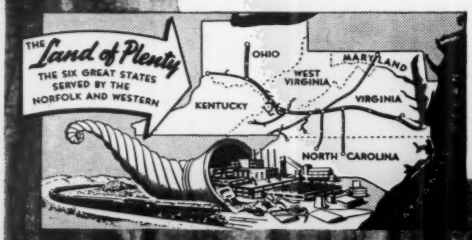

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People are optimistic, expect "good times." Many think their incomes will increase this year. Plans for spending reflect optimism.

The Federal Reserve Board's annual consumer survey, just out, shows how people were thinking just a few weeks ago, in January and February.

More people say they plan to buy houses than at any time in the last seven years. Veterans, able to buy on very easy credit, account for most of the rise in home-buying plans since early in 1954.

More buyers also are in sight for furniture and appliances than a year ago, but slightly less than in 1953. Average outlay here is to be slightly smaller.

The survey does not support auto-industry hopes for selling a much greater number of cars this year. No increase shows up in plans for buying new autos, compared with early 1955. Instead, more people expect to buy used cars.

On the average, the prospective car buyer expects to spend more money.

On financial condition, consumers on the whole, are well off, feel well off.

But there is this off note: More people seem to be running out of cash.

Group reporting no liquid assets is 31 per cent, compared with 26 a year ago. Those who have something, but less than $200, are 17 per cent compared with 15.

Other indicators show business still rising, no letup in major lines.

Auto output stays close to record levels. Sales are high.

Steel mills have more orders than they can fill promptly. Backlog grows.

Improvement in textiles and clothing is continuing, but profits are slim.

Shoe production has been running 14 per cent ahead of 1954.

Electric output sets a record, more than 50 billion kilowatt-hours a month.

Lumber companies report sizable gains in output, shipments and orders. This is tied in with the record-making pace of construction.

Latest official reports on construction show this significant development: more factories are being built.

That could be a tip-off on a change in business investment plans. Companies that have been holding back may feel now like spending more liberally for expansion of present plants and equipment.

Industrial building in February was the highest since June, 1953.

New contracts indicate that the building boom, as a whole, will run on for several more months at least. Figures compiled by F. W. Dodge Corporation show residential contracts of 744 millions for February, a 46 per cent gain over a year ago. In other construction contracts there was a gain of 14 per cent. This means a big backlog of building still to be started.

(over)

Railroads now are showing the effects of the business recovery. Carloadings have risen above the 1954 level. More coal and industrial products are being carried. Profits of major roads, after taxes, are running more than 2½ times what they were in early 1954.

Jobs are plentiful for this time of year, except in a few areas and lines. Employment dropped slightly last month, but the drop was in farm jobs. Factories took on more workers. Unemployment increased less than seasonally, was less than a year ago.

Possible trouble spots for business are prices and credit.

Weakness in wholesale prices has set in after a long period of firmness. Declines this last month wiped out most gains of the previous year in the Government price index, as measured by the Bureau of Labor Statistics.

Farm crops accounted for most of the drop. Foodstuffs and livestock now average much less than a year ago. Cattle are up a bit, but hogs are as cheap as in 1946. Wheat, rye and cocoa prices have been hit recently.

Fibers are off. Cotton has sold below the Government price support, a sign of unusual weakness in this crop.

Metals still are a strong group. Some steel prices creep up. Rising scrap price brings complaints from steel men.

Other industrial materials, though more costly than they were a year ago, have lost ground in the last month.

Effect of price weakness sometimes is to cause businessmen to buy less for inventory. But there is no sign of this so far. Inventory buying is one of the underlying forces in today's business rise.

Tightening of credit is taking place, slowly, intentionally, part of a federal effort to check speculation without interrupting sound expansion.

Cash needed to buy stocks on margin was raised from 50 per cent to 60.

Federal Reserve sold an extra large amount of Government securities in recent weeks. Effect is to reduce bank lending power about 7 billion dollars.

Interest rates on Government bills and bonds have gone up.

Tightening, as planned by federal officials, has four aims:
Check easy money for homes, especially no-down-payment, 30-year loans.
Make borrowing for stock-market speculation more costly.
Discourage business from overbuying for inventory.
Put a little restraint on consumer installment borrowing.

Impact on building is forecast by bankers. They say less mortgage money will be available as the year goes on. If so, there will be a slowing down in building and in sales of houses.

Tightening would take hold gradually. Builders have firm promises of credit on many houses now being built. Salability of these will not be affected. But builders might have trouble lining up later commitments.

So far, business takes all troubles in stride, and gains. Big test comes when steel and autos go into their summer slowdown.

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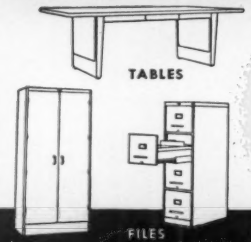

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NEWS-LINES

WHAT YOU AS A BUSINESSMAN ☑ CAN and ☒ CANNOT DO

as a result of recent court and administrative decisions

☑ **YOU CAN** tell your foreman to report to you on any rumors he hears of attempts to organize a union. Upsetting a previous doctrine, the National Labor Relations Board holds that such instructions to a foreman are not a violation of the ***Taft-Hartley Act.***

* * *

☑ **YOU CAN,** as manager of a domestic corporation, arrange with your district director of Internal Revenue for ***Social Security coverage*** of U. S. citizens employed abroad by your company's foreign subsidiary. Agreements for this coverage are authorized by the Commissioner of Internal Revenue. The Internal Revenue Service has prepared a standard form of agreement—Form 2032—for use by domestic corporations wishing to enter into these agreements. Copies of this form are now available at district directors' offices.

* * *

☑ **YOU CAN** now ship about 25 additional items to Hong Kong without getting an ***export license*** from the Commerce Department. Nonstrategic commodities for which export controls are eased include iron and steel nails, bolts, nuts and screws; leather and woven industrial belting; rice, oilseeds, rubber mats and certain commercial refrigerators.

* * *

☑ **YOU CAN,** as a farmer who has 1954 grain with a ***price-support loan*** stored on your farm, keep that grain on your farm for another year. Grains for which this "reseal" program is announced by the Department of Agriculture are corn, barley, oats, rye, wheat, grain sorghums and flaxseed. Payment for resealing will be based on the current storage agreement.

* * *

☑ **YOU CAN** tell your employes during a ***plant-election campaign*** that establishment of a pension plan has been decided on and probably will be put into effect soon. The Labor Board rejects the finding of a regional director that an employer violated the Taft-Hartley law by mentioning a prospective pension plan in a speech to employes three days before an election.

☑ **YOU CAN** probably expect the Labor Board to hold a requested ***decertification election*** in your plant even though your working force has been sharply reduced. NLRB refuses to dismiss a decertification-election petition in a plant where employment had been cut from 1,133 to 224. It was shown in this case that the company had no plans for increasing the number of employes.

* * *

☒ **YOU CANNOT,** as a landlord, avoid paying an ***income tax*** on amounts that your tenant is allowed under his lease to withhold from his rent payments and use for improving the rented property. A court of appeals rules that such amounts are taxable income to the landlord.

* * *

☒ **YOU CANNOT** escape paying a Social Security tax for ***truck drivers*** and helpers whom you employ for the sole purpose of hauling supplies to your farm. A court of appeals holds that these employes are not exempt from the employment tax as agricultural workers.

* * *

☒ **YOU CANNOT** ship copper or copper-base alloy ***wire and cable*** to any country, except Canada, without getting an export license from the Commerce Department. This export restriction is established by the Bureau of Foreign Commerce.

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☒ **YOU CANNOT,** as manager of a company that produces ***electric power,*** increase the contract rates for local distributing utilities merely by filing a new rate schedule with the Federal Power Commission. A court of appeals decides that electric-power rates fixed by contract cannot be changed unless utilities that are parties to the contract agree or unless FPC finds that the contract rates are unreasonable.

* * *

☒ **YOU CANNOT,** after buying property with the intention of replacing an old building on it, or removing the building and using the property without additional improvements, take an ***income tax deduction*** for the cost of tearing down the building. The Internal Revenue Service says that a taxpayer does not have a deductible loss or expense on removing such a building.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

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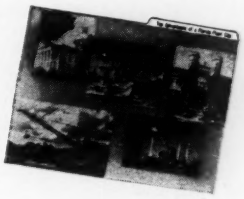

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SYNGMAN RHEE LOOKS AT AMERICA

And Sees "a Giant Only Partly Aware of Its Own Strength"

You hear a lot of talk about Asians hating the U. S., resenting American intervention in the Far East.

But here is an Asian who says that isn't so. Syngman Rhee, President of South Korea, maintains that Asians respect the U. S., despite Communist propaganda, and look to the U. S. as the only power that can save them.

Americans, says Mr. Rhee, don't realize their own strength or the weakness of Communism. In this speech he tells why he thinks Communism can be checked in Asia.

Following is the full text of remarks by Syngman Rhee, President of the Republic of Korea, delivered March 1, 1955, in Seoul, on how American actions are viewed in Asia:

—Harris & Ewing

SYNGMAN RHEE

In this time of tortured history, there is only one strong barrier that stands between the Communist tyrants and their dream of world conquest—and that barrier is the strength of the United States of America.

This strength of America is not alone military or industrial; it is largely moral and psychological. It is the same strength that prompted the fathers of the American Revolution to declare their independence in 1776 and it is the same strength which inspired our patriots to declare our independence in 1919.

It is the strength of idealism which led the United States to take the lead in bringing the free world to our support when the Communists attacked us in 1950. It is this same unselfish spirit of brotherhood that leads America to help us with our economic reconstruction and that is attempting to build an alliance of anti-Communist strength in Asia.

There is an old saying that those who will not learn from history will be required to repeat it. I wish the Communist rulers would meditate long and deeply upon the role that the United States has played in all its history. America never has been a colonial power. When it came into the Philippine Islands and later into South Korea, it was with the aim of liberation and assistance, not aggression.

There is no more ridiculous charge ever made than the repeated propaganda of the Communists that the United States is building up military bases in Asia for purposes of colonialism and imperialism. Exactly the opposite is the case, as has repeatedly been proved; but they recite their lie in order to deceive the uneducated masses of peoples and line them up against America.

The United States entered South Korea with its armies when we had no Government and no military strength of our own. It helped us to conduct elections and build our own democracy; and it has armed and trained for us an Army for our own self-defense. Similarly, the United States has intervened in Chinese affairs solely to help defend the last outpost of Chinese independence, for the everlasting benefit of both the entire free world and the great masses of the Chinese people themselves. One of the greatest proofs of American generosity is the great helping hand it has extended to its defeated enemy, Japan.

I wish the people and the Government of the United States were not quite so quick to criticize and doubt themselves. When they hear the Communist propaganda charging that the people of Asia do not like their interference, they are fearful that there might be some truth in such charges, and they have a tendency to withdraw.

If I could deliver just one single message to the heart of all America, it would be this: Trust yourselves a little more! Have faith in your own ideals. For truly the American principles and the American ideal are the last great hope of the world.

The people of Asia know America, perhaps better in some ways than the Americans know themselves. It is too bad that American newspapers have so much to say about the supposed dislike and distrust of the peoples of Asia toward the United States. It is too bad there is so much discussion in America of the fact that the only atomic bombs ever used in warfare were those dropped by American aviators upon an Asian people. This kind of self-castigation has, partially at least, closed the eyes of the American people to the tremendous position of strength they hold in our hearts.

Stories such as these are created by the Reds to win over the voting population of every land as part of their Communist revolution campaign. In this way the Soviets have succeeded in making many nations their satellites. All intelligent Americans should realize this and make it known to their fellow citizens.

No Asian will ever forget that at the time of the Boxer Rebellion the United States used its indemnity from China to educate Chinese students. No Asian will or can forget that the entry of the United States into the Philippines was for the purpose of educating and assisting the Philippine people to attain their independence. No Asian can overlook what the United States is doing for Korea and China.

The truth is that the United States is a giant only partly aware of its own strength. When that giant is awakened by some awful catastrophe, as it was at Pearl Harbor, its strength is shown to all the world—as is its generosity and forbearance after the fighting is ended.

(Continued on page 124)

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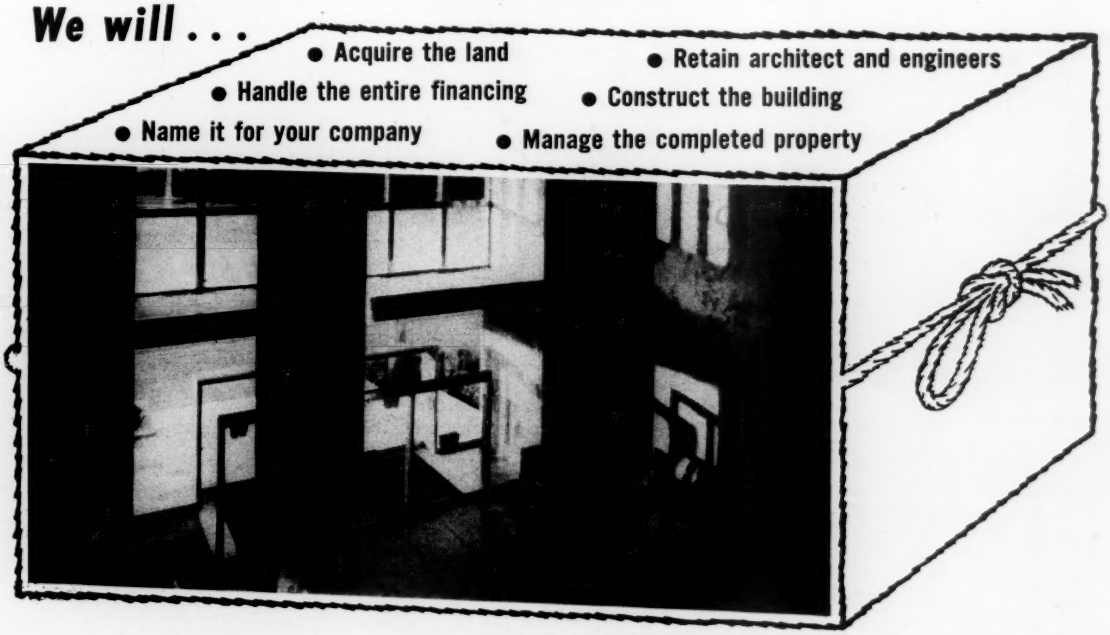
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. . . *"In any democracy, its real power is concealed"*

Perhaps it is inherent in any democracy that its real power is concealed except in emergencies. In this period of half war, half peace—when every responsible statesman is doing his best to prevent a world disaster—the democracies reveal to everyone their own self-criticisms and their own tendencies to retreat as far as possible rather than to fight.

Under such circumstances, it is the totalitarian dictatorships that look powerful. While the democracies fear that any show of defensive force might precipitate a world war, the dictatorships launch huge air raids upon democratic areas. When conferences are held, the democracies do all they can to "relieve tension"—while the dictatorships seize that occasion to launch threatening military attacks—as they did at Dienbienphu [in Indo-China, against the French] during the Geneva Conference.

Reds as "Paper Dragons"

But while the dictatorships look, talk, and act fierce, the facts show that they are nothing but paper dragons. Red China has a large Army, but the masses of Chinese hate their masters; and there is nowhere on the continent of China any industrial power to support a major war. Russia conducts a tremendous game of global bluff, but is weak in oil, coal, and steel—and has behind its Iron Curtain an uneasy collection of captive peoples who long for the opportunity to reassert their historical independence.

° ° °

What is it that causes some of our friends to be afraid?

Is it death that they fear? If so, they should remind themselves that all through human history brave men and women have had to risk their lives in order slowly and painfully to win the liberties that we enjoy today.

Are they afraid that in another world war civilization itself may be destroyed? If so, they should take note of the fact that democratic civilization already has been erased from more than half the population of the world. The rest of our civilized areas may also be lost unless we acquire the vision and the courage to defend the great heritage that has come to us from the past.

I do not wish on this occasion to issue only a simple restatement of democratic principles. If I emphasize them, it is not with any intention of avoiding the direct issue of what we should do to confront a very immediate and present threat of Communist aggression.

(Continued on page 125)

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. . . "Greatest enemy of free world: self-doubt"

What I do deeply believe is that our greatest enemy is not the armed masses of Communist soldiers who confront us with one gun in their hands and another gun held at their own backs. The greatest enemy of the free world is its own fearfulness and self-doubt. If this can be overcome in time, the Communist dictatorships can be stopped and the rot that lies behind the Iron Curtain can be exploited to cause its own collapse.

For 10 years, after the German and Italian and Japanese aggressors were soundly defeated, the free world has retreated, time and again, before the onward rush of the Communist imperialists. This retreat by the free world and the consequent advance by the Communist

—United Press

MR. RHEE & U. S. TROOPS
"American principles . . . are the last great hope of the world"

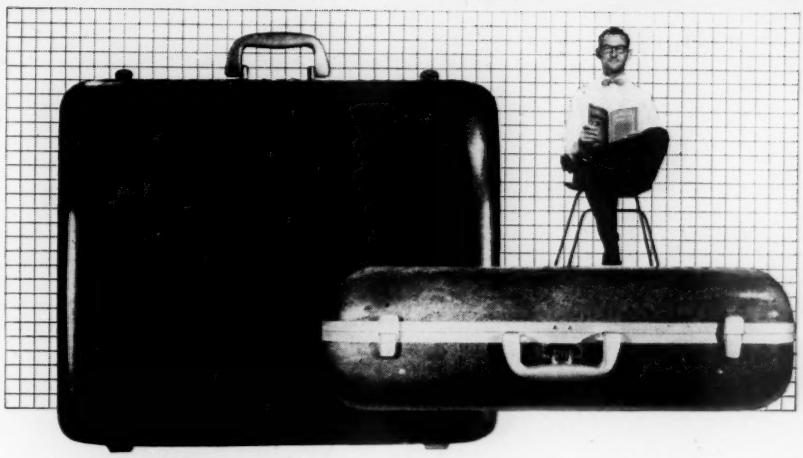
dictatorships has created an illusion of weakness on the part of the democracies and of strength on the part of the dictatorships.

The grave dangers that confront us all arise in large part from the existence of that illusion. It blinds the judgment of the Allied statesmen as they seek for the means of self-defense. And it similarly blinds the Communists, as they make increasingly grandiose plans for still faster advances.

Back in 1917 the intellectual Marxians still believed that they had no other choice than to wait and hope that Karl Marx was right when he promised them that the free world would fall of its own errors and thus pave the way for a nonviolent triumph of Communism.

The success of the Communist revolutionists in seizing control of Russia led them to raise their hopes still higher.

(Continued on page 126)



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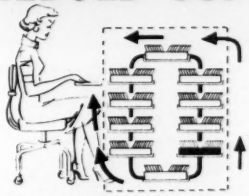

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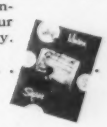

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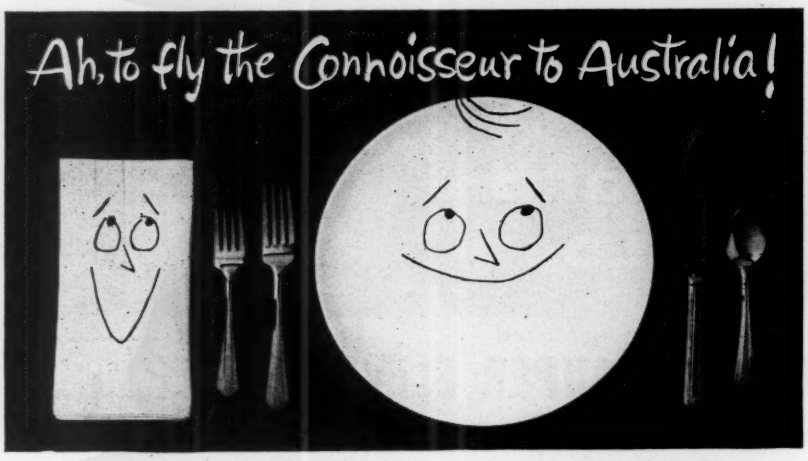

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. . . "There is no security to be won without risk"

Then they began to plan actively for world conquest—and, under Lenin's leadership, they laid down the principle that the surest way to world conquest led through Asia.

During the past 10 years the ambitions of the Communists have constantly expanded. They no longer look to an indefinite and distant future, when the world will fall into their grasp through sheer decay. Now they believe they have built up a military power and a myth of invincibility that will carry them triumphantly through a succession of easy victories to a climactic war of annihilation.

The choices that lie open to the free world today are far more limited than they were 10 years ago. There is no easy road to salvation. There is no security to be won without risk. No one but a demagogue can promise peace and security for freedom except by the harsh and painful way of courage and sacrifice.

The role of Korea in world affairs is not one of primary leadership. We are not even a member of the United Nations. We cannot proclaim a program and expect to rally the free nations around us to achieve it.

Nevertheless, we do feel that our nation has a mission worthy of our great history. When the Communist aggressors struck against us, we fought back. Despite our grievous suffering, when even our Allies thought the time had come for a compromise peace, our united voice was raised to ask for yet more sacrifice and suffering in order to gain a basic and essential victory.

And now, when new crises sweep across the world, our voice is still raised to counsel courage, and faith. We stand on the frontal battlefield of the global struggle, but we seek no fancied and false security in neutralism or in the compromise with aggression that all history teaches is only a shortcut to defeat.

Korea: Not Big, Not Weak

We believe in victory. We know what Communism is, and we do not think for an instant that it is possible to appease its ambitions. We do not try to coexist with cholera. And we do maintain our hope that this spirit of Korea will yet prove of genuine value to the free world.

We are not a big nation, but we refuse to be a weak one. And we face the future with confidence, because we know that among our democratic Allies there exists the only genuine reservoir of strength that is great enough to determine the future destinies of the world.

PLUS & MINUS
Latest Indicators of Business Activity

Business activity continues to expand as a rising rate of production is matched by growing business and consumer demand for goods.

Factory output, at 134 on the indicator in the week ended March 4, was 8 per cent above July, 1954, only 4 per cent below the peak in July, 1953. Steel output reached 91.9 per cent of capacity, highest since June, 1953. Auto production, as estimated by Ward's Reports, Inc., was within 1 per cent of its record high.

Main upward thrust in production is in industries making metals and metal products. In February, employment rose 28,000 in nonelectrical machinery, 23,000 in primary metals, 20,000 in transportation equipment, 12,000 in fabricated metals, 6,000 in electrical machinery.

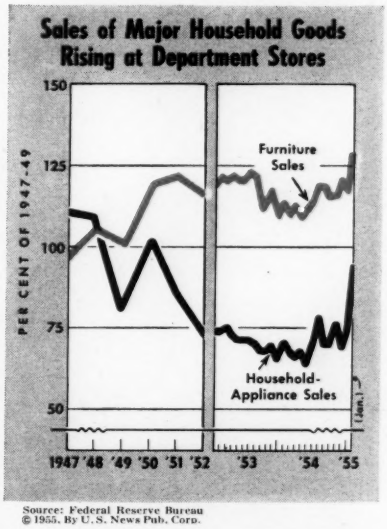
Freight shipments have increased rapidly in recent weeks—more so than is normal at this time of year. Carloadings in the week ended March 5 were 11.6 per cent above a year ago. There were gains of 23 per cent in loadings of coal, 19.6 for coke, 14.5 for ore, 9.2 for forest products.

Loadings of manufactured goods jumped to 363,171 cars from 338,000 the previous week and were only 2 per cent below their 1954 peak, set last October. As a rule, the flow of manufactured goods is much larger in October than in March.

Retail-store sales held firm in February at the January rate of 178.5 billions per year. That was 6 per cent above February, 1954, only 1 per cent below the record high of December.

Main strength in February sales was in autos and auto equipment, up 19 per cent from a year ago. Gasoline service stations reported sales 12 per cent above last year. Food sales were up 5 per cent, general merchandise 4, drugs 2.

At department stores, household-appliance sales, shown in the top chart, rose in January to a level a third above a year ago and the highest since February, 1951. February sales, it appears, were still higher.



Source: Federal Reserve Bureau
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Furniture sales at department stores, also shown in the chart, climbed in January to their best rate since March, 1951, and were 13 per cent above a year ago. Furniture stores, reporting for January, turned in a 10 per cent sales gain.

Carpets and rugs were sold by department stores at the highest rate since November, 1951, up 18 per cent from a year ago.

Installment sales of goods of all kinds at department stores in January ran 18 per cent ahead of a year ago. Cash sales were up only 5 per cent; charge sales, 9 per cent.

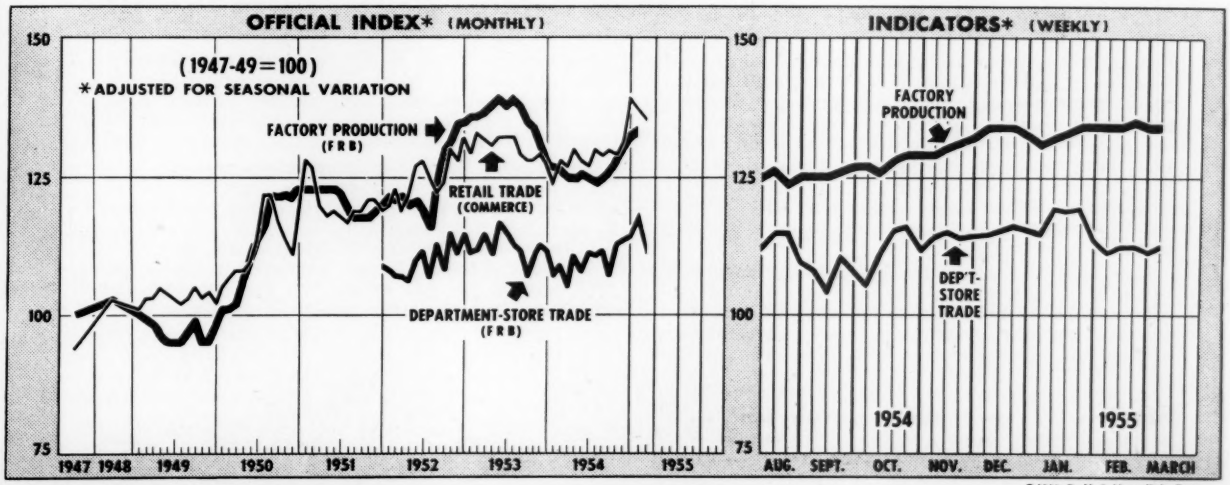
Manufacturers' shipments of appliances are responding to the high rate of sales at retail. Shipments of electric ranges in January were about a third above a year ago and the largest since spring of 1951. Gas-range shipments also were well above a year ago.

Business inventories of all kinds were equal to 1.57 months' sales on February 1, down from 1.74 a year ago. Over the 12-month period, inventories fell from 80.7 billions to 77.3. Sales, on the other hand, rose from 46.5 billions to 49.3.

Plant and equipment expenditures of business may be starting to rise again. That is suggested by growing employment in machinery industries, larger orders for machine tools, rising outlays for commercial construction.

The stock market, despite gains in business activity, dropped sharply between March 4 and 8, then rallied on March 9. At their peak on March 4, stocks listed on the New York Stock Exchange had risen 61 per cent since September, 1953, and 146 per cent since June, 1949.

Breadth of the rise in business activity has increased in recent months. Because of this, there is less chance that a downturn in auto and steel production would have severe effects on business activity as a whole.



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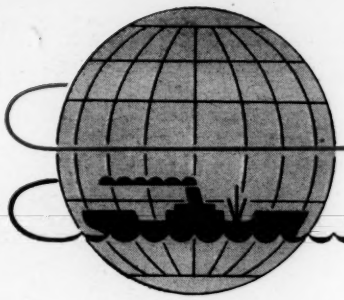


Business Around the World

OTTAWA • CANBERRA • JOHANNESBURG • LONDON

›› Business has seldom been better, in many countries. Business is a little too good to be healthy in some places. Stresses, strains, unsuspected weaknesses are showing up. Here's a look underneath some of the good news.

›› Consider Canada, for example. The Canadian boom seems perennial. It slowed down a bit last year. But not as much as the U.S. boom. Canadian pickup has not been quite as fast since last autumn as in the U.S. But there is a rise.

Here's the shocker: Canadian unemployment is at the highest level since World War II's end. It's twice as high as it was two years ago and 28 per cent higher than a year ago. About 6.8 per cent of the labor force was unemployed at the end of January. In the U.S., 5.3 per cent were without jobs on that date.

Canadian economy no longer can keep up with the demand for jobs. In fact, there are fewer jobs available now than there were two years ago. This is a basic change for Canada, usually considered the land of job opportunities.

Manufacturing industries, especially textiles and durable goods, have been shortening their payrolls. These industries feel the decline in Canadian farm income and the increased competition in export markets.

Trouble is, Canadian wages and manufacturing costs have gotten up on a high plateau. Canadian goods carry high price tags. They don't sell too well.

Lowering of Canadian interest rates and the drop in the rate for the Canadian dollar may help the country's manufacturing industries. But the chief props for the Canadian boom right now are mining, wood products and oil.

›› Another charter member of the British Commonwealth, Australia, has a boom on the surface and trouble underneath.

Production is not keeping pace with the increase in Australian demand. There is full employment, and wages are rising.

Credit has been tightened, but further turns of the screw are believed necessary. Too much investment money and effort are going into semiluxury and luxury industries. Channeling of credit money is coming up.

New import restrictions can be expected. Australia has been running in the red on foreign trade for months. This has meant quite a drain on the central reserves of the sterling area kept in London. Wool-export earnings are not nearly as large as last year. Dairy products are off, too.

Defense outlays in Australia apparently are going to increase greatly, as new responsibilities are taken over in the Far East.

The Australian Government, nudged by London, is going to call for greater productive effort, possibly wage restraints and longer hours. But Australian labor unions are so powerful that the Government can't go too far.

(over)

Australian difficulties are credited in London with being one of the major factors in the recent weakness of the British pound.

>> South Africa, too, has a boom running and doesn't want to undermine it.

The rise in the "Bank rate"--basic interest rate--in Britain on February 24 has been met by an increase in South African interest rates. That's to keep capital from flowing out of South Africa to London.

South African boom is based mostly on gold, uranium and other minerals.

Much capital is needed to expand these operations and to overcome very serious bottlenecks, especially in transportation facilities.

The South African Government for several years past has channeled large amounts of newly mined gold into London and the sterling area's central reserves. South Africa is no longer under obligation to do this.

Consideration is being given to allowing some South African gold to be sold again through private channels in Tangier, Beirut, Bombay, Macao and other markets where the price of gold has been edging up in recent weeks.

New Government of Prime Minister Johannes Strijdom is to play a hard game with its gold. London will get no special favors, if other markets pay more.

More imports are being allowed to enter South Africa this year. British goods have an inside track in that market. But South Africa these days is a highly competitive market. British goods no longer sell automatically. They will be bought if they are relatively cheaper or are otherwise more attractive than American, German, Dutch, French and other imports.

>> This points up Britain's chief problem right now: the need to sell more goods in competitive export markets. To do this, the lid must be kept firmly on the inflationary pot. British home consumption and manufacturing costs both must be kept from rising. It's still too early to tell whether recent tightening of credit in Britain will do the trick.

>> Odds favor a bitter struggle for export markets as the year progresses.

The Japanese successes in selling to British Commonwealth countries recently have British manufacturers, especially of textiles, really worried.

German success in pushing exports to Latin America, especially, also is making quite a painful impression on London.

American exporters, with a long lead in markets of Latin America, may find sales less easy to make there this year. It's not only that the competition will be keener, as most manufacturing countries plug their exports.

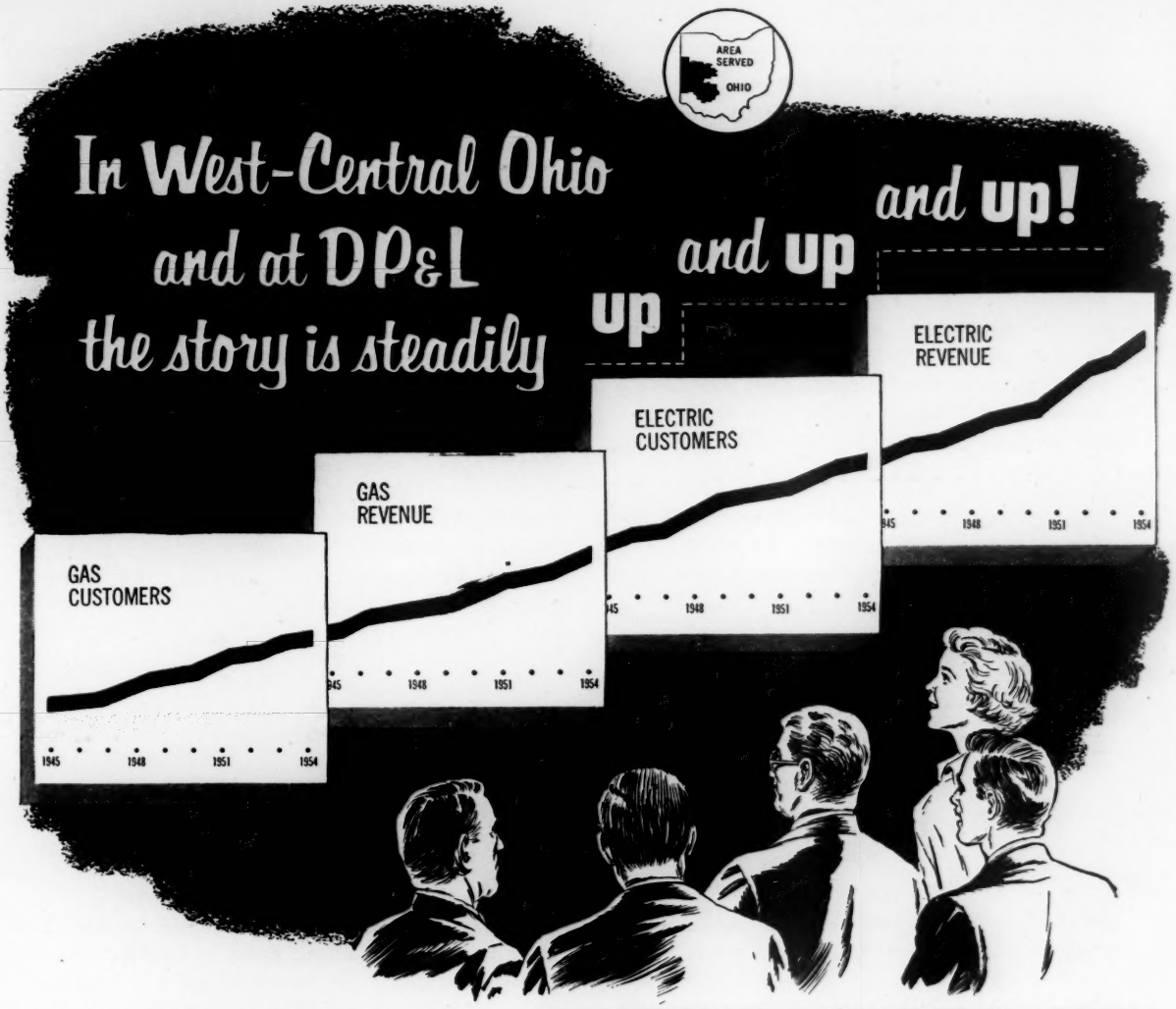
More important are the declines in prices of such things as coffee, cocoa and sugar. These declines will have a strong influence on the buying intentions of most of the countries in the Caribbean basin and the northern tier of South America, plus Brazil. It is said, for example, that coffee provides 40 per cent of the buying power of 14 Latin-American countries.

Shrinking prices for natural rubber in recent weeks also raise questions about Malaya and Indonesia as markets for Western manufacturers.

Commodity-price trends remain sensitive to war scares in the news. But, in general, prices have been sliding off for some time--except for the metals.

Europe's appetite for steel, copper, lead, zinc continues unabated. And European buyers are sucking out of the U.S. market all the steel scrap, copper scrap and even aluminum scrap they can get.

In West-Central Ohio and at DP&L the story is steadily up and up and up and up!



The 1954 annual report of The Dayton Power and Light Company once again records new highs in every phase of the company's operation. West-Central area of Ohio has completed another year of record-breaking new home construction. In addition, the restrictions on the use of natural gas for space heating were lifted. And DP&L put on some of its most successful promotion efforts.

DP&L serves an area where business is on its toes . . . well-paid employees are buying new homes, and the individual use of our services is well above the national average.

This company has been in the fortunate position to take advantage of these opportunities. We are confident that in 1955 this prosperous and progressive area will continue to increase the demand for our services.

We've condensed our 1954 annual report into a "capsule" shown in the chart on the right. We would like to send you a copy of the full report. Just write—

THE DAYTON POWER AND LIGHT COMPANY

BALANCE SHEET

	December 31 1954	1953*
ASSETS		
Property and plant	$193,188,000	$184,096,000
Current assets	22,739,000	14,449,000
Other assets	570,000	1,278,000
	$216,497,000	$199,823,000
LIABILITIES		
Capitalization	$166,397,000	$149,232,000
Current liabilities	15,161,000	18,845,000
Reserves	34,939,000	31,746,000
	$216,497,000	$199,823,000

RESULTS OF OPERATIONS

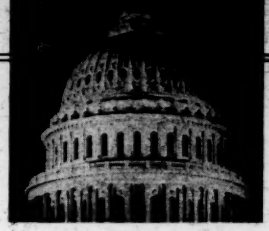
	1954	1953*
REVENUE	$ 61,547,000	$ 57,501,000
EXPENSES	50,915,000	47,523,000
Gross income	$ 10,632,000	$ 9,978,000
INCOME DEDUCTIONS	2,193,000	1,828,000
	$ 8,439,000	$ 8,150,000
PREFERRED DIVIDENDS	949,000	949,000
Earnings on common stock	$ 7,490,000	$ 7,201,000
Number of common shares outstanding at December 31	2,600,059	2,585,728
Earnings per common share outstanding	$2.88	2.78*

Restated to include settlement of purchased gas rate increases and federal income taxes

THE DAYTON POWER AND LIGHT COMPANY

25 North Main Street • Dayton 1, Ohio

The Symbol of Service



BETTING ON AMERICA

BY DAVID LAWRENCE

THE AMERICAN PEOPLE are constantly betting on their own future.

They bet on the foresight of skillful management in American business.

They bet on the inventive genius that saves labor and spreads human energy over more new tools.

They bet on the profits to be derived from intelligent planning and from the written and spoken salesmanship that brings sellers and buyers together.

They bet on the keen judgment which accurately estimates demand and avoids wasteful production.

They bet on the honor and integrity of men who, when they borrow other people's money, make every provision out of earnings to pay it back.

They bet on the companies that seem to promise the maximum return on the money invested.

They bet on the free-enterprise system which holds that, except for national emergencies, the citizenry shall employ its own capital and the government shall not become a competitor.

They place their bets daily in the market place where their hopes and aspirations are recorded along with their disappointments.

In recent months the stocks of various companies have steadily moved upward in price. For a long time many of these have been quoted below their actual book values. The fact that confidence does exist now seems to be something of a surprise to those observers who are unaccustomed to a stable economy.

A procession of witnesses—many of them New Dealers—has appeared before the Senate Banking Committee to answer questions in a so-called "friendly study" of the stock market. But the bearish note is uppermost. The aim appears to be to convert into an indictment of alleged sinfulness the effort by the American people to participate in the profits that accrue out of the growth of their own country.

The theory that Congress is the guardian of the public purse is acceptable. But this bestows no right to impair the freedom of an individual to win or lose as he invests his money in the securities of American enterprises. He can borrow most of the money needed to buy a house, but it now is suggested that he pay all cash to buy a piece of industrial property—a share in the appreciating values of America's businesses.

It is true that speculative excesses sometimes occur in the markets. We have had our land booms and our wild speculations in commodities. But there is far greater danger in impeding natural growth and restraining legitimate expansion by undue governmental interference with the credit mechanism than in letting the foolish speculate beyond the bounds of reason.

Had there been a genuine desire to study so complex an institution as the stock market, no kleig lights would have been necessary. It could have been undertaken by a legislative and executive commission with a staff of technicians who could have quietly made their studies in the offices of the brokers and traders in New York and in the industrial centers.

The testimony of individuals—cloistered in academic halls and possessing little first-hand knowledge of the actual workings of industry or of the things that make America tick—has now frightened the populace into thinking something is wrong with the economy. The stock market has been given a case of jitters by intimations of coming restrictions voiced by members of the Senate Committee themselves.

What is being overlooked by the critics among the Democrats is that we've been passing through twenty years of inflation—a period of loss of confidence in the dollar. Happily, under the Eisenhower Administration confidence has been returning.

For twenty years socialistic doctrines have been embraced by the Democratic Party so that American enterprise has faced the threat of gradual confiscation by government. Today the number of Democrats in Congress who openly favor government ownership of electric power is the largest in a generation. What other segments of our industrial structure will come next on the list of the destructionists?

Are the American people being given a preview of what they may expect in 1956 if the radical Democrats prevail at the polls? There are conservative Democrats who are fighting valiantly such a dangerous trend in the party of Thomas Jefferson.

There is, of course, one sure way for many Americans to lose their bet on the future of the nation's economy. It is to vote in the confiscationists.

As long as the American people can bet on the dynamic conservatives—led today by President Eisenhower and Democrats like Senator Byrd of Virginia and Senator George of Georgia—they can win.

For an expanding, dynamic America—an America in which technology makes perennial progress—is bound to return dollar for dollar more gain than any other investment anywhere else in the whole world.

Betting on America is hazardous only when selfish politicians make it so.

Another new development using

B. F. Goodrich Chemical *raw materials*

B. F. Goodrich Chemical Company does not make the equipment shown. We supply only the Geon polyvinyl material.

Operation Close-up —Teaching by TV Eye

FORWARD thinking by authorities at a University School of Dentistry solved an old problem—how to enable groups of students to study oral operations close up.

Geon polyvinyl insulating materials [illegible] a strong part in this use of closed [illegible]it television. A portable TV camera [illegible]owered by Geon-jacketed cable focuses on the surgeons while they operate on the patient. Students see clearly every detail on the screen of a TV set. Others see it on a movie screen in another room.

The manufacturer of the TV installation specified Geon materials in this new teaching aid. The cable jacketing must be flexible, resist abrasion, because it is yanked along the floor and around corners. It must also be oil and grease proof, and resist the harmful action of many chemicals. The colored insulation on the conductors is also made of Geon, making it easy to find the right hook-up in case of trouble.

Versatile Geon is at work in hundreds of industries from electrical to packaging —improving products, processes with its many advantages. New Geon applications are coming to life every day, and the next one may well give a boost to operations in your own plant. Geon is available in many forms—for molding, extruding, dipping, spraying, coating, and other processes. To learn more about how Geon can fit into your own picture, please write Dept. N-3, B. F. Goodrich Chemical Company, Rose Building, Cleveland 15, Ohio. Cable address: Goodchemco. In Canada: Kitchener, Ontario.

GEON RESINS • GOOD-RITE PLASTICIZERS . . . the ideal team to make products easier, better and more saleable.

GEON polyvinyl materials • HYCAR American rubber and latex • GOOD-RITE chemicals and plasticizers • HARMON colors